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The Thatcher years: policy errors and unemployment, Page 6

World news

Kinnock criticises Thatcher line on US

Neil Kinnock, the British Labour opposition leader, yesterday launched an outspoken attack on Prime Minister Margaret Thatcher's "special relationship" with President Ronald Reagan.

On the eve of his meeting with the President, Mr Kinnock said he wanted to put what he described as the subordinate relationship between Britain and the US on a healthier and more positive footing and to re-establish "the habit of frankness" which existed before Mrs Thatcher came to office.

Mr Kinnock's attack coincided with the publication of an opinion poll showing that his party is now less popular than the Liberal-Social Democrat alliance. Page 7

Greek warning

Greece warned that it would defend its national rights after Turkey announced it would explore for oil in the disputed Aegean Sea. Prime Minister Andreas Papandreou held emergency talks with government officials. Page 2

Beirut fighting

Fighting flared around Bourj al-Barajneh refugee camp, southern Beirut, after Palestinian women demonstrated against a sniper-infested "path of death" they must use to buy food outside the beleaguered settlement. Palestinian sources said six women were killed by Shia Moslem Amal militia. Gunmen killed, Page 4

Butter sale

The sale of 181,500 tonnes of EEC butter to the Soviet Union – at a subsidy of more than $3,200 per tonne – was approved in Brussels. Page 2

1,000 hostages

Two suspected leftist rebels held nearly 1,000 schoolchildren and teachers hostage for seven hours at a school in San Salvador before releasing them and surrendering to soldiers.

SA 'to free priest'

South African authorities are ready to release a priest imprisoned without charge last June, according to news agency reports. Father Jean-Francois Bill could be free by today, the reports said.

Senate attacks tariffs

US Senate unanimously approved a call for immediate retaliation unless the EEC drops plans to tax vegetable oil and urged measures against Canada's tariff on corn.

AIDS incubation

The incubation period of the killer disease AIDS may be as long as 15 years, not five years as generally believed, a London doctor said. Legal warning, Page 8

Tax evasion plea

Former US Treasury Secretary Robert Anderson pleaded guilty to income tax evasion charges and illegally running an offshore bank. He admitted evading taxes on $127,500 of undeclared income.

Oyster disease

Ireland's IR£ 1m ($1.4m) oyster industry has been hit by bonamia disease which causes the oysters to open when being cleaned, graded or transported – although it poses no threat to human consumption. Movement of stocks from one region to another was banned.

Fishy business

State prosecutors in Hamburg said they were investigating a West German government research ship whose crew-members were suspected of illegally catching sea food and selling it to restaurants, smuggling Russian vodka and dealing in scrap metal.

Business summary

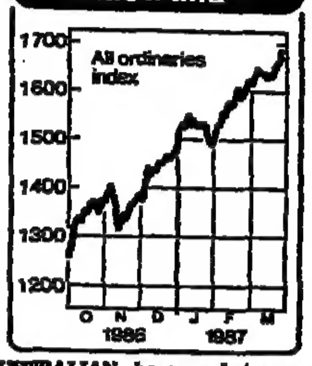
Manila close to deal on debt plan

PHILIPPINES Finance Minister Jaime Ongpin said he was very close to an agreement on the rescheduling of his country's $9.3bn of commercial bank debts after four weeks of tough and sometimes acrimonious negotiations in New York. Page 18

WALL STREET: The Dow Jones industrial average closed up 9.10 at 2,372.59. Page 38

TOKYO: Fresh interest in large-capital stocks and issues connected with domestic demand and AIDS kept equities higher but enthusiasm waned in late trading. The Nikkei average added 85.82 to 21,558.79. Page 38

Australia



AUSTRALIAN share markets were pushed to their sixth consecutive record by heavy demand for gold and mining stocks and moderate support for blue chip industrial stocks. The All Ordinaries index closed up 11.1 at 1,690.1, while the All Industrials marker was up 5.8 at 2,594.6 and the All Resources index rose 13.7 to 1,001.8. Page 38

LONDON: The UK trade figures gave some stability to a jittery government bond market, leaving prices up to ¾ lower among longs although index-linked issues gained up to 1¼ points. Equity losses were eased by BP's bid for Standard Oil's outstanding shares and the FT-SE 100 index ended 5.1 lower at 2,037.8 while the FT Ordinary index was off 8.1 at 1,614.9. Details, Page 34

GOLD fell $2.00 to $411.75 on the London bullion market. It also fell in Zurich to $411.75 ($413.95). Page 30

DOLLAR closed in New York at DM 1.8290; SFr 1.5275; FFr 6.0865; and Y149.475. It rose in London to DM 1.8275 (DM 1.8265); to FFr 6.0825 (FFr 6.0750); to SFr 1.5265 (SFr 1.5240); but remained unchanged at Y149.10. The dollar's exchange rate index was unchanged at 102.5. Page 31

STERLING closed in New York at $1.6015. It fell in London to $1.6060 ($1.6070); but rose to FFr 9.77 (FFr 9.7625); and remained unchanged at Y239.50, SFr 2.45 and DM 2.9350. The pound's exchange rate index remained unchanged at 72.1. Page 31

GENERALE Bank, Belgium's largest commercial banking group, increased its profits by almost 20 per cent last year in spite of foreign earnings being reduced by the weakness of the dollar and sterling. Page 30

LAFARGE Coppee, the French-based cements group, boosted net profits last year by 56 per cent to FFr 1.5bn ($247m). Sales fell 10 per cent but would have shown a 5 per cent rise if adjusted for the fall of the dollar and the sale of subsidiaries. Page 30

GUINNESS, international drinks and leisure group, is to combine its Arthur Bell's and Distillers business sales and marketing operation from July under the name Arthur Bell Distillers.

IRI, Italy's largest state holding group, is seeking L1,500bn ($1.2bn) of government funding for investments in high technology companies and in infrastructural projects in the south of the country.

LINDE, the West German engineering and industrial gases group, lifted domestic group profits sharply last year and intends to pay an increased dividend. Page 30

BP offers $7.4bn for remainder of Standard Oil shares

BY MAX WILKINSON IN LONDON

BRITISH PETROLEUM yesterday announced a $7.4bn offer for the minority shares of its US subsidiary Standard Oil in one of the largest bids ever launched.

BP, which already owns 55 per cent of Standard's equity, will raise $5bn revolving credit to help pay for the purchase. About a third of the purchase would be paid out of BP's £3bn ($4.8bn) liquid resources.

The company is making a tender offer of $70 per share in cash for the Standard shares, which is not subject to a minimum acceptance. The offer is expected to open before April 1.

Standard's share price yesterday rose sharply, and by late morning in New York was trading at $71¼. BP said its offer of $70 per share, was based on its own valuation of Standard and that of its financial advisers Goldman Sachs. Standard's net assets at the end of last year were reported as $7.02bn.

Last year, Standard reported a pre-tax loss of $608m. However, a major re-organisation and disposal of poorly-performing assets this year is expected to restore it to profitability in 1987 with a strong positive cash flow, even if the world oil price remains between $15 and $18 per barrel.

BP's valuation of Standard is based on the view that oil prices will average $18 per barrel in current money terms for the next few years.

Sir Peter Walters, BP's chairman, said that the offer was quite separate from the British Government's decision to sell its 31.6 per cent holding in BP this spring. However, the Government had been informed of the move and had agreed.

This sale of the government's stake is expected to raise some £4.7bn. It is likely that the Government will try to place a significant proportion of its shares in the US.

Sir Peter said he would be pleased if the two moves resulted in an increased US equity stake in BP. The company had been trying to increase the proportion of US shareholding in the last two years, and it had risen from 1 per cent to 6 per cent.

He said the acquisition of the remaining shares in Standard would make the enlarged BP group the third largest of the oil majors after Exxon and Royal Dutch/Shell.

He said BP felt confident about making the acquisition, because of the efforts made by Standard to improve its profitability, and because of the improved prospect that the oil price would remain stable at around present levels.

BP needs to gain acceptance from 80 per cent of the minority shareholders in Standard before it can achieve a total merger of the two companies.

It would then rationalise some of their operations, particularly those, like chemicals in the US, which overlap. However, it is not expected that the merger would cause major redundancies in addition to those already in train at Standard.

Early last year BP gained the agreement of the minority shareholders in Standard to sack the top managment and to appoint Mr Ro-

Continued on Page 18

Lex, Page 18; details, Page 19

MAJOR OIL INDUSTRY PURCHASES

1984	Chevron bought Gulf	$13.3bn
1984	Texaco bought Getty	$10.2bn
1981	DuPont bought Conoco	$7.8bn
1987	BP offer for part of Standard	$7.4bn
1983-7	Exxon bought own shares	$7bn
1984	Mobil bought Superior Oil	$5.7bn
1984	Royal Dutch Shell bought part of Shell Oil	$5.7bn

Insider deals using civil servant 'exceed £10m'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT, IN LONDON

INSIDER dealing on the London Stock Exchange by a large ring using information provided by a civil servant "comfortably exceeds" £10m ($16m) the High Court was told yesterday.

UK Department of Trade inspectors investigating insider dealing said they believed there might be a second ring being given information by a second civil servant.

"It is important to us in our search for the clearest evidence as to the identity of the Crown servant or servants from whom unpublished price-sensitive material has been received, and as to the membership of the ring (or rings) of persons who have used that material, that we should find what contacts there have been between various persons," Mr John Lindsay, QC, and Mr Peter Crozier said in written evidence.

The inspectors have complained to the court that Mr Jeremy Warner, business correspondent of The Independent daily newspaper had refused to disclose to them the sources of information on which he based two articles about takeovers.

Under the Financial Services Act, inspectors appointed by the Department of Trade and Industry can go to court if someone refuses, "without reasonable excuse," to co-operate with them.

The court has the power to treat such a person as being in contempt of court and to impose a fine or jail sentence accordingly.

Mr Warner's case is that he has a right as a journalist to protect the confidentiality of his sources.

It is the first time the particular provisions of the Financial Services Act have been invoked against a journalist.

The inspectors told the court they believed Mr Warner might have received information from one or more members of the first ring.

Mr Warner was not suspected of being a member of the ring or of profiting from its dealings. But he was one of a very small number of available disinterested witnesses and the only witness in relation to matters on which the inspectors had questioned him.

Even if his answers did not show any connection between his information and the first ring, his evidence would still be crucial – perhaps even more so because it would then support other evidence that more than one Crown servant had disseminated information and that a second ring existed.

"It is, in our view," the inspectors' evidence continued, "inevitable that criminal activity relating to insider dealing will flourish if those carrying out such activities are effectively assured of anonymity and comforted by the fact that inquiries such as ours can be impeded in this all-important area.

"In particular, we consider the evidence relating to the very scale of the activities, and the number of persons involved, to be indicative of the attractions of insider dealing, and it is inevitable that those concerned will continue these activities unless checked by being identified, prosecuted and, if found guilty, punished."

The inspectors said that in November 1985 and October 1986, Mr Warner had written stories about the Scottish and Newcastle bid for Matthew Brown, and about the bid by Strong & Fisher for Garnar Booth.

Mr Andreas Whittam Smith, the editor of the Independent, said in evidence that it was the newspaper's policy that Mr Warner should not disclose his sources.

US takeover curbs proposed, Page 4

Chad a 'disaster' for Gadaffi

BY PETER BLACKBURN IN ABIDJAN

THE WITHDRAWAL of Libyan troops from Faya Largeau, the last major Libyan military base in Northern Chad, signals the effective defeat of the Libyans and leaves President Hissene Habré virtually undisputed master of a reunified country, with the prospect of peace for the first time in more than 20 years.

It is a humiliating military disaster for Libyan leader Colonel Muammer Gadaffi as well as a setback to his plans to create an Islamic Saharan empire from Mauritania to Sudan.

Faya Largeau, a strategically located oasis town commanding access to the south, has been occupied by the Libyans since August 1983. It is also of symbolic importance being the birthplace of President Habré.

Some 3,000 Libyan troops began to retreat early on Wednesday after blowing up fuel and ammunition dumps, according to French sources.

Libyan troops withdrew from Faya only two days after suffering a crushing defeat at Ouaddi Doum, their main air base in Northern Chad, 100 miles to the north-east.

The loss of Ouaddi Doum meant that Faya, on an exposed plain between the Tibesti and Ennedi mountains, was deprived of vital air cover as well as food and military supplies and was in danger of being encircled.

Ouadi Doum fell after a fierce two hour battle in which more than 1,200 Libyan soldiers were killed and nearly 450 taken prisoner, according to the Chadian military high command.

A large amount of military equipment, including 13 aircraft, some 50 tanks and over 100 light armoured vehicles was captured.

The sudden collapse of the well protected air base is further evidence of the poor morale of the heavily armed Libyan troops, according to military observers.

Late last year Colonel Gadaffi launched an offensive in the Tibesti mountains after former rebel leader Mr Goukouni Oueddei rallied to

Continued on Page 18

Moscow allows building group to collapse

By Patrick Cockburn in Moscow

THE SOVIET Government has for the first time allowed a construction company with a workforce of 2,000 in Leningrad to go bankrupt according to the state newsagency Tass.

Willingness to let unprofitable and inefficient enterprises go under forms part of the new economic reforms introduced by Mr Mikhail Gorbachev, the Soviet leader. "Even older people cannot recollect bankruptcies occurring in the USSR," said Tass.

The 2,000 workers who lost their jobs have all been re-employed by other organisations without losing the right to sickness benefits and a pension.

At the time the Leningrad Building Association, controlled by the city council, decided to disband the enterprise. It had fallen behind schedule on many construction sites, overrun cost limits and failed to ensure proper work quality.

The poor quality of construction, slow completion and the assets tied up in uncompleted projects have been heavily criticised over the past year.

The newsagency said that the enterprise, "failing to change its conditions of cost accounting and self-financing, was operating at a loss." The assets of the bankrupt company have been distributed among other construction organisations.

Under the new draft law on state enterprises which is now being discussed insolvent organisations can be liquidated for the first time. In the past Soviet economists have complained that profitable enterprises draw little benefit from their success because their profits are used to subsidise unprofitable enterprises.

Nevertheless the Government has continued to stress that economic reforms are only starting to be introduced, and it will be three or four years before they produce real benefits.

Dr Leonid Abalkin, head of the Economics Institute in Moscow and one of the most influential reform economists, says that a special meeting of the Communist Party's ruling Central Committee in June will be crucial in putting together a package of economic reforms.

Recent articles in the official press have suggested that many Soviet workers are troubled by new measures designed to raise economic efficiency.

Soviet trade outlook, Page 3

Soviets say US backtracked on arms pledge

BY WILLIAM DULLFORCE IN GENEVA

THE Soviet Union yesterday accused the US of "backtracking" on its commitment to an accord on intermediate nuclear forces (INF) in Europe as negotiators in Geneva ended their INF talks.

The major sticking point appeared to be whether to link in the issue of short-range nuclear forces, and both sides will consider this element before further talks next month.

Mr Viktor Karpov, head of the Soviet Foreign Ministry's disarmament department, said in Moscow that the US arms control delegation in Geneva had long accepted that shorter-range nuclear missiles would be dealt with after an INF agreement had been struck. However, the Nato allies dispute the detail of this interpretation.

The recent emergence of the shorter-range nuclear missile problem has muddied the waters considerably and dulled prospects for the first Washington-Moscow nuclear disarmament agreement. The Soviet Union currently has a six-to-one advantage over Nato in shorter-range nuclear forces.

US and Soviet disarmament officials yesterday offered differing views of the short-range missile issue. Mr Maynard Glitman, the US negotiator in Geneva, said Washington was sticking to its position that "equal global restraints" on the shorter-range systems had to be "an integral part" of an INF treaty.

In Moscow, Mr Karpov said that on March 4 the US had proposed in Geneva that negotiations on shorter-range weapons would be subject to talks after an INF deal had been reached. "So it is not the Soviet Union but the US which is backtracking," he said.

Foreign Office officials in London said it had always been the US negotiating position, based on a Nato brief, that an INF agreement would provide for a freeze on Soviet deployment of shorter-range forces while allowing the US to achieve parity with those forces if it wished, and providing for a commitment to follow-on negotiations for overall reductions in shorter-range weapons.

Negotiations over shorter-range nuclear forces would follow an agreement on INF, UK officials said. These follow-up negotiations would cover systems with a range of from 150 km and 1800 km although sub-categories of these systems could be negotiated separately, they added.

INF systems – triple-warhead SS-20s, and SS4s on the Soviet side, and US Pershing 2s and cruise missiles on the US side – have ranges of 1,000 km and 3,000 km and were the subject of President Reagan's original "zero option" proposal.

Under an agreement reached in principle by President Reagan and Mr Mikhail Gorbatchev in Reykjavick last October, all these weapons would be removed from Europe.

Editorial comment, Page 16

Banks seek fairer Mexico rescheduling

BY STEPHEN FIDLER IN LONDON

MEXICO'S six main British bank lenders have declared that they will not join a new $7.7bn (£4.8bn) rescheduling loan for Mexico unless there is an equal commitment to the package from other bank lenders, particularly those in the US.

The decision, relayed to Citicorp, the US bank, which headed the steering committee of Mexico's major creditors last week, is designed to put pressure on other lenders to contribute what the UK banks see as a fairer share of the loan.

The decision was made jointly by the banks, Lloyds, which is on the steering committee, Barclays, National Westminster, Standard Chartered, Midland and the Royal Bank of Scotland. The decision was relayed in seperate telexes.

The three-week process of signing the Mexican deal started last Friday, after agreement between Mexico and its main creditor banks. The signing process involves most of the 400 bank lenders.

The complex agreement for the Mexican debt rescheduling provides for international banks to contribute in new funds 12.9 per cent of their exposure to Mexico in August 1982, when Mexico first declared its inability to meet foreign loan commitments. For all the US banks, this is thought to total about $3.3bn.

However, US banks have so far committed substantially less than this, not only because small banks do not want to increase their exposure to Mexico, but because many larger regional banks have scaled down their commitment, because they have reduced their exposure since 1982.

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GROWING IN THE SHADOW OF A GIANT

Governor Rafael Colon wants to give Puerto Rico an identity distinct from the US, its benefactor. But the economy comes first. Survey, section III

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EUROPEAN NEWS

GREECE WARNS IT WILL PROTECT 'SOVEREIGN RIGHTS'

Turkey sends oil search ship into Aegean

BY DAVID BARCHARD IN ANKARA AND ANDRIANA IERODIACONOU IN ATHENS

TENSIONS BETWEEN Turkey and Greece reached new heights yesterday when Ankara decided to send an oil exploration vessel to the Aegean Sea where the two countries have conflicting claims over the continental shelf.

The dispatch of the Sismik-1 represents a serious political risk. In 1976, Greece and Turkey came close to war when the same vessel prospected in waters which Greece regarded as its exclusive sphere, while Turkey claimed they were open sea.

Greece and Turkey are locked in a complex web of disputes over sea and air space rights in the Aegean which are the legacy of the 1974 Cyprus crisis, over which the two Nato members nearly came to war. At that time, Turkey invaded and occupied part of Cyprus, following a coup staged on the island by the Greek military junta.

Athens yesterday responded strongly to Ankara's decision warning that it "will take all necessary measures to ensure its sovereign rights" in the region.

At the same time the Greek Government reiterated a proposal for a joint referral of the dispute with Turkey on continental shelf rights in the Aegean to the International Court of Justice at The Hague, "on the basis of international law, both conventional and customary." Turkey has in the past rejected similar proposals by Greece and wants the dispute settled on the basis of "equity."

In Ankara yesterday, Mr Hasan Guzel, the Turkish Government spokesman, said the Government had sent the Sismik-1 to sea "to prevent any fait accompli by Greece and to protect the rights and interests of Turkey in the Aegean Sea."

He declined to say where it would sail, how long it would be at sea, or whether it would be protected by a naval escort. It can be assumed, however, that Turkey would not stand by if there were any interference in the work of the Sismik-1.

But in Athens, a government spokesman said: "If any seismic research is carried out in areas where under conventional and customary law the continental shelf belongs to Greece, the Greek Government will take all necessary measures to ensure its sovereign rights."

He added that Turkey's ambassador to Athens, Mr Nazmi Akiman, would be summoned to the Foreign Ministry during the day, and asked to relay Athens' proposal for a recourse to the International Court on the continental shelf disputes.

The Greek permanent representative at the United Nations has also been instructed to inform the Secretary General and the chairman of the Security Council that Greece has repeatedly proposed taking the matter to the Court.

EEC to sell Moscow 181,000 tonnes of butter mountain

BY QUENTIN PEEL IN BRUSSELS

A HUGE sale of EEC butter to the Soviet Union—181,500 tonnes, at a subsidy of more than £2,000 per tonne—was approved yesterday in Brussels as part of the Community's frantic effort to offload its unwanted butter mountain.

The actual price of the butter paid by at least five traders is Ecu 211 (£147) per tonne, compared with the original purchase price of Ecu 3,132 (£2,192) per tonne—making a total cost for subsidising the sale of more than Ecu 530m (£371m). It is the largest amount ever approved at one time.

All the butter is said to be more than 18 months old, but European Commission officials insist that it is still edible, and can be sold to consumers in the Soviet Union.

The sale seems certain to arouse further public fury at the accumulation of otherwise unsaleable surplus food stocks, compounded by the fact that the Soviet Union is a politically unpopular destination to receive from EEC subsidies.

It brings to more than 280,000 tonnes the quantity of butter in public intervention stores approved for sale to the Soviet Union this year. Earlier sales of 35,000 tonnes and 65,000 tonnes were approved in February, at the slightly higher price of Ecu 225 per tonne.

The present sale was approved by agriculture officials from the 12 member states in the dairy management committee, and has to be sanctioned by the full European Commission, although that is normally a formality.

The great bulk of the butter will come from intervention stores in the Netherlands and West Germany—some 80 per cent—with the balance from France, Belgium and Denmark, Commission officials said. It means that the total stocks of the EEC will be reduced to just over 1m tonnes, from the present level of 1.33m tonnes, and that rather more than half the Commission target of selling 400,000 tonnes in the course of the year has been accomplished.

The financing of the scheme is only possible because of the recent agreement by member states — strongly opposed by Spain and Portugal — in effect to lend the money to the EEC, for repayment between 1989 and 1992. They approved a financing package up to a maximum Ecu3.2bn, to offload 1m tonnes of butter, but only repay the member states in the future, thus getting round the fact that budget finance currently available is already exhausted.

That deal has been criticised by the European Court of Auditors as illegal, because it amounts to a loan by the member states, and prevents the Community from balancing its budget every year.

Vatican's financial crisis worsens

By Alan Friedman in Rome

THE VATICAN is heading for a record $63m deficit this year, with the church's cash crisis showing signs of worsening. This was the grim prediction which emerged yesterday from the meeting of eleven of the 15 Roman Catholic cardinals who are responsible for overseeing the Vatican's finances.

They have been meeting at the Holy See this week to consider ways of solving the problem, which according to preliminary figures released yesterday saw a deficit of nearly $61m last year.

The cardinals concluded yesterday that the Vatican's earnings were "radically insufficient" and did not cover even half of operating expenses. This comes after numerous spending cuts in recent years.

According to reports here, the income derived from "St Peter's Pence" contributions last year amounted to $32m—less than expected partly because of a general fall-off in donations and partly because of the weakness of the US currency against the Italian lire.

Under the direction of Cardinal Agostino Casaroli, the Vatican Secretary of State, the cardinals are understood to have drawn up various possible solutions to the financial crisis, but these were not disclosed yesterday.

The meeting comes at an awkward time for the Holy See. It was learnt earlier this week that a request for the extradition of Archbishop Paul Marcinkus, chairman of the Istituto per le Opere di Religione (IOR) or Vatican bank, will soon be issued by Italy's Ministry of Justice.

Mgr Marcinkus, along with two other top Vatican bank officials, is being sought by Italian police on charges of having been accessories to the fraudulent bankruptcy which resulted in the collapse of Banco Ambrosiano in 1982.

The archbishop has refused to respond to the arrest warrant issued last month by Milan magistrates and remains a fugitive from Italian law within Vatican City. He can only be arrested if he sets foot on Italian territory. The IOR's accounts are separate from the rest of the church.

Ironically enough, the 65-year-old archbishop is believed to have presented the cardinals this week with just about the only profit inside the church, a L10bn ($4.8m) surplus on the Vatican City's basic stores business (foods, tobacco, clothing, postal services, petrol and museums), for which he is responsible.

Daimler leads bigger Europe truck market

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

DAIMLER-BENZ, the Mercedes group of West Germany, retained a clear lead in the Western European heavy truck market in 1986 at a time when total sales reached the best level for six years.

At the same time West Germany overtook the UK as Western Europe's biggest heavy truck market.

According to an analysis by the Automotive Industry Data (AID) Newsletter, West European sales of trucks over 3.5 tonnes gross weight last year were 5.2 per cent ahead of those for 1985 at 246,000.

In spite of a minor loss in share, from 26.9 per cent to 26.4 per cent, Daimler-Benz continued to dominate the market. A major advance in the UK was mainly responsible for the company's improvement from 25.7 per cent in 1984.

AID points out that the new group formed from the merger of Daf of the Netherlands and Leyland of the UK has entered the ranks of major European truck makers, "commanding a Europe-wide share almost on par with money-spinning Volvo and well ahead of Volkswagen-MAN and Scania."

EUROPEAN TRUCK MARKET SHARE BY MANUFACTURER
Truck sales over 3.5t GVW
(Excl. Buses, includes Artics)

Manufacturer	Year 1986	% share	Year 1985	% share	% change
Daimler-Benz	64,918	26.39	62,967	26.93	3.10
Iveco-Ford	44,442	18.06	47,090	20.14	−5.62
Renault-RVI	25,972	10.56	24,232	10.36	7.18
Volvo	23,138	9.40	20,186	8.63	14.62
Daf-Leyland	22,117	8.99	19,945	8.53	10.89
VW-Man	19,102	7.76	15,691	6.71	21.74
Scania	16,253	6.61	15,394	6.58	5.58
GM-Bedford	5,256	2.14	6,277	2.68	−16.27
Others	24,835	10.09	22,046	9.43	12.65
Total (14 markets)	246,033	100.00	233,828	100.00	5.22

Source: AID

The evidence suggests that Daf-Leyland can continue to show an improved performance, suggests AID. But it is doubtful whether it can displace Volvo or Renault Vehicules Industriels (RVI) of France, even though the new company has a product range which compares favourably with that of Daimler-Benz and Iveco-Ford, the group controlled by Fiat of Italy.

Daf-Leyland is also under pressure from another West German organisation, VW-MAN, which last year showed the biggest improvement in volume, up nearly 22 per cent to 19,102, and European share, up from 6.71 per cent to 7.76 per cent.

The merger of Iveco and Ford's operations in the UK last year was "promising at its creation" but AID raises some doubts about the new organisation's chances of standing up to increasing pressures at the light end of the sector from the "ascending Daimler-Benz and the revitalised Daf-Leyland conglomerate."

AID points out that last year's recovery in total European heavy truck sales was helped by boom conditions in Norway, Spain, the Netherlands and France, which saw the biggest volume increase as registrations rose 13.79 per cent to 40,294.

However, there was only a disappointing 3.67 per cent improvement, to 58,660 registrations, in West Germany, and UK sales dipped 3.04 per cent to 54,138. Another major market, Italy, also suffered a fall, of 2.47 per cent to 22,111.

"Automotive Industry Data Newsletter" from 34 St John Street, Lichfield, Staffs WS13 6PB.

Double blow in Bouygues TV bid

By Paul Betts in Paris

BOUYGUES, the giant French construction group, has suffered a double setback this week in its efforts to gain control of TF-1, the leading French state television network soon to be privatised.

The communications commission CNCL has turned down a formal complaint by Bouygues claiming that the rival bid by Hachette, France's largest publishing group should be dismissed by the commission because it had not complied with the bidding rules.

However, it was disclosed yesterday that Bouygues itself is under investigation from the securities and exchange commission COB over alleged irregularities in Bouygues' aborted takeover bid for Spie-Batignolles, a rival construction and civil engineering concern controlled by the French Schneider industrial conglomerate.

The investigations to be published next month are expected to allege that Bouygues failed to make timely disclosures of acquisitions of large blocks of Spie Batignolles shares. The COB also said yesterday that it would hand over the dossier on the share dealings to the judicial authorities.

Bouygues announced last year that it had acquired a 10.04 per cent stake in Spie and then disclosed a few months later in November that it had increased its shareholding to 32.9 per cent giving it minority veto blocking rights.

It later sold its stake after it became clear it had failed to negotiate a close tie-up with Spie by first gaining a large shareholding. Spie's partner Schneider had from the beginning rejected the idea of a merger with Bouygues. It lost FFr 150m (£15.5m) as a result of the Bouygues moves.

The Bouygues complaint to the communications commission comes as the heated battle for control of the state television network nears its climax. Next week both Bouygues and Hachette will appear before the CNCL in public hearings which will be shown live on television.

The Government is expected to decide who will pay FFr 3bn for a 50 per cent controlling stake in TF-1 soon afterwards.

In its formal complaint to the commission, Bouygues has argued that Hachette failed to file its proposals with the CNCL by the official deadline. It also complained that Hachette's consortium included Banque Nationale de Paris (BNP) which is also acting as the government's adviser on the privatisation.

Although Hachette has now replaced BNP with the Credit Africole, Bouygues claims its rival could have benefited from unfair inside information.

Hoechst loses first round in battle with Brussels

BY OUR BRUSSELS CORRESPONDENT

HOECHST, the West German chemicals multinational which is refusing to allow EEC competition investigators to search its offices, yesterday lost a first round in its legal battle against the European Commission.

The president of the European Court of Justice in Luxembourg refused to grant an injunction to prevent the Commission from launching a search, nor to suspend a Ecu 1,000 (£700) per day fine imposed on the company.

He rejected the argument by the Frankfurt-based chemicals group that the Commission's action was blatantly illegal, and that it was facing serious financial damage if the measures went ahead. The ruling does not affect the main action by Hoechst against the Commission, nor the Commission's own counter action against the West German Government, for failing to give it the necessary legal support.

The case amounts to the most serious recent challenge to the Commission's cartel-busting powers to search and seize documents in suspected companies.

Hoechst was one of eight major EEC chemical companies which were the targets of dawn raids by investigators in January, in the course of a Commission inquiry into suspected illicit price fixing for both PVC and polyethylene products.

The company refused to allow the investigators access to its offices, although they were accompanied by officials from a West German Federal Cartel Office. It succeeded in winning a provisional injunction from a Frankfurt administrative court, on the grounds that the EEC inspectors should have had a judicial warrant.

The European Court's decision yesterday, however, suggests that the Commission did comply with the formal requirements of EEC competition regulations in launching the raid, and did not break any fundamental principles.

The president also concluded that the financial damage likely to be suffered by Hoechst pending settlement in the main case would be minimal, considering its size and turnover.

Vehicle test track plans run off the road

BY ANDREW FISHER IN FRANKFURT

IT WAS another setback for a company whose carefully nurtured image has been jolted quite a few times in recent months.

What made Daimler-Benz wince this week was a decision by the West German Supreme Court that will force it to look again for a site on which to build a new test track.

It might seem a simple matter for West Germany's largest industrial company to find somewhere to send its new luxury models on sizzling test drives. But the eight judges in Karlsruhe thought otherwise. They ruled that the remaining farmland needed to complete the proposed test site at Boxberg in the south could not be purchased compulsorily by Daimler from the local farmers who still refused to sell up.

Such a move, the judges said, could only be made by the state and not for a private industrial project. They did, though, say that it was not against the constitution; the law could be changed to permit the controversial Boxberg project.

But that could take years. The Boxberg affair has already dragged on for nearly 10 years, with Daimler previously winning at every legal stage. Now, the company says, it will have to look again, maybe even abroad.

For Daimler, it means that around DM 50m (£17m) already spent on Boxberg—located in a less prosperous part of the state of Baden-Wuerttemberg, where Daimler also has its Stuttgart headquarters—is now definitely down the drain. Its total investment in the 10 km long, eight lane wide, track would have been up to DM 300m, with around 1,000 jobs created in and outside the group.

The 15 farmers, backed by environmentalists, were overjoyed, their ruddy, weather-beaten faces overflowing with emotion as the court scene was shown to millions on the Tuesday's evening TV news, where Boxberg had top slot.

Daimler, which has interests in electronics, engines, and aerospace, will hardly suffer too much from the decision, which it received with disappointment. It still needed 200 hectares of the 600 hectare area to build the track, since its present one in Stuttgart is too small and old. At present, it tests cars in Italy, France, and in West Germany on public roads and at the Hockenheim race circuit.

The group's self-esteem, somewhat dented by problems last year over quality in some models and more recent evidence of boardroom friction, will also presumably recover in time.

However, Daimler saw the issue as having a wider relevance. Against a loose coalition of farmers, environmentalists, members of the ecology-minded Greens, and left-wingers, it wanted to prove a point, namely that compulsory purchase could be used to smooth the way for projects long blocked by a local minority.

It has still not given up totally on Boxberg, and may hold further talks with the objectors who had all been offered other land. Daimler also hopes for continued political leverage out of Stuttgart, the capital of the state of Baden-Wuerttemberg.

Even if it had won, however, the publicity might have been awkward. Later this year, it could receive another black eye. The EEC is due to decide whether the state's DM 140m or so of infrastructure support for Daimler's planned new car factory at Rastatt, near the Rhine in eastern Baden-Wuerttemberg, falls foul of subsidy rules. Environmentalists are keen that Daimler should lose in Brussels, too.

French unemployment up to 11% in February

BY OUR PARIS STAFF

FRANCE'S unemployment rate climbed to 11 per cent last month, and the Government sees little hope of reversing the trend this year. The number of unemployed people rose in February to 2.65m, an increase of 42,000 or 1.6 per cent, after seasonal adjustments, the Social Affairs Ministry announced.

The unadjusted number of unemployed at the end of the month stood at 2.7m, down 1 per cent from January but up 8.5 per cent from a year earlier.

Mr Jacques Chirac, the Prime Minister, said in a television interview on Tuesday night that more jobs were now being created than were being lost, but the unemployment rate would continue to rise as new generations came on to the jobs market.

"We will not be able to stop an increase in the number of unemployed this year, either in France or in any other European or industrialised country," Mr Chirac said.

However, Unedic, the French state unemployment insurance organisation, said yesterday that the level of private sector employment had in fact fallen by an estimated 0.4 per cent in 1986.

Mr Chirac emphasised the Government's measures to improve training for young job-seekers and to help those who lose their jobs make the transfer into new forms of employment.

Extradition law pledge by Dublin

By Hugh Carnegy in Dublin

IRELAND'S new Fianna Fail Government said yesterday it would examine extradition legislation prepared by its predecessor to decide if changes are needed before it is put into effect. The issue, linked to the Anglo-Irish Agreement, is being keenly watched by Britain.

In opposition, Fianna Fail criticised the legislation, intended to ease extradition of terrorist suspects to Northern Ireland and Britain, as too loose.

The party said it would amend the laws to include a requirement for requesting authorities to make a prima facie case to support each extradition application—a provision not previously included.

Pressed in parliament to confirm this stance, Mr Gerry Collins, Justice Minister, refused to specify Fianna Fail's intentions. He said only that he would study the legislation, which is not due to take effect until December.

"If the Government decides any changes are necessary, they will be brought in."

The previous Government, under Dr Garret FitzGerald, made changes in the extradition laws to rule out terrorist suspects claiming a political defence. This would allow Irish accession to the European Convention on the Suppression of Terrorism, as promised at the signing of the Anglo-Irish agreement.

It was seen by Britain as an important security element in the Anglo-Irish package by restricting the ability of Irish Republican Army gunmen to take refuge in the republic. Any move that hindered the proposed new extradition process would certainly upset the British side.

● The Bank of Ireland, one of the republic's two biggest retail banks, has announced cost-cutting staff restructuring plans which include up to 700 voluntary redundancies.

Soviet appeal on role of Stalin

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union needs to examine the role of Stalin and Khrushchev in its history objectively and not avoid difficult and sensitive episodes, a senior Soviet historian has said.

"I think it is time to put the study of a number of problems linked to the Stalin personality cult on a proper basis," Professor Yuri Afanasyev, the rector of the state historical archives institute, said in an interview with the newspaper Soviet Culture.

"We do not have one research paper on this major question. Meanwhile, there are hundreds and thousands of publications on this subject by non-Marxist historians. We, however, still continue to ignore it."

The interview is the first time that a senior Soviet historian has called for a wholesale re-examination of the history of the Soviet Communist party.

Prof Afanasyev said that "understanding the two key periods of Soviet history: 1917-29 — that is under Lenin and after Lenin — and 1956-65 — that is after Stalin, the 20th party congress (where Khrushchev denounced Stalin) and attempted reforms — is especially vital today in the light of the tasks facing society."

While not rehabilitating Khrushchev as yet the interview follows an article Dr Georgy Smyrnov wrote in Pravda earlier this month which firmly dated the start of political mistakes by the Soviet leadership to the October 1964 meeting of the party which ratified the end of Khrushchev's rule.

Dr Smyrnov wrote that after this meeting "there was an inclination towards stable, verified and above all centralised forms of management, a fear of questions, a reluctance to change the existing state of affairs."

Poland scales down food price rises

By Christopher Bobinski in Warsaw

POLISH FOOD prices are expected to rise next week by less than the Government originally planned after opposition from the country's new trade unions, according to a union statement. At the same time Gen Wojciech Jaruzelski, the party leader, has promised a reorganisation of central government and "radical" progress with economic reform.

The union issued its statement yesterday after meeting government officials when it was revealed that the average price of food would go up by 9.6 per cent rather than 13 per cent.

The rises are viewed with trepidation by the population at large and the new unions, set up to replace Solidarity in 1982, had little choice but to oppose them openly if they wanted to retain any credibility.

Meanwhile, Gen Jaruzelski has told the country's reform commission which drew up the blueprint for economic change in 1981 that the original ideas would be introduced with greater vigour.

Economists concerned at the lack of progress in implementing it have pointed to opposition within the central bureaucracy which Gen Jaruzelski now wants to reorganise as a serious barrier to change.

French bomb arrests

By Paul Betts in Paris

THE FRENCH security forces claimed yesterday to have dismantled an Iranian linked terrorist network in Paris involved in the wave of terrorist bombs which shook the French capital last autumn.

Six Tunisians and two French citizens of Lebanese and Algerian origin were arrested by French security police in Paris last weekend. The police also seized a substantial amount of explosives and arms when they arrested the terrorist suspects.

In a statement yesterday, the French interior ministry claimed the security forces had neutralised an important terrorist network which "was about to commit particularly dangerous terrorist actions in France." The statement added that the security forces were continuing investigations to establish the eventual links of this network with the terrorist bombs against Parisian stores and shopping arcades last autumn.

Balladur pledges rapid move towards further liberalisation

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

MR EDOUARD Balladur, the French Finance Minister, yesterday pledged a further rapid liberalisation of France's money and equity markets as part of a strategy to make Paris the principal financial centre in continental Europe.

Speaking in London at a conference organised by the Economist magazine, Mr Balladur said that the trend towards freer capital markets, which began last year with the dismantling of exchange controls, was "irreversible."

The wide-ranging reforms already introduced would soon be complemented by a number of other measures. These would include the introduction of an options market in shares, the start of futures trading in European currency units (ECUs), and the modernisation and liberalisation of France's life assurance companies.

The French Finance Minister, who met yesterday with British Prime Minister Mrs Margaret Thatcher, and Mr Nigel Lawson, the UK Chancellor, also outlined the Paris Government's plans for a radical reform of the country's stock exchanges.

Mr Edouard Balladur

He said that the financial liberalisation strategy rested on two distinct planks: the integration of the traditionally compartmentalised markets in Paris and the introduction of a range of new financial instruments; and structural reforms to introduce greater competition in to the banking and insurance sectors and to end the 150-year monopoly of stockbrokers in share trading.

The overhaul of the stock exchanges, which follows deregulation in New York and London, will gradually allow banks to buy into stocking-broking firms ahead of the ending of the monopoly in 1992.

That in turn would allow the leading overseas financial institutions, at present poorly represented in the Paris markets, to establish a strong presence.

The process will be accompanied by an acceleration of the government's privatisation programme, with five major state-controlled groups, worth FFr 40bn, to be sold off this year alone.

As a result of the privatisation of Paribas and Saint-Gobain the number of individual shareholders had already risen from 2.4m to 4m. Mr Balladur said that wider share ownership would be further strengthened by a new law to allow more flexibility in employee share options schemes and to provide fiscal incentives for employee shareholders.

Threat to block EEC research heads meeting

BY QUENTIN PEEL IN BRUSSELS

MR GUY Verhofstadt, the Belgian Deputy Prime Minister and current chairman of the EEC Research Ministers, yesterday insisted that he would not call any further meetings if the UK and West Germany continue to block agreement on a five-year Community research programme.

"If we have no decision, we will have no framework programme, no specific programmes, and a complete void in European technological research," he told members of the European Parliament.

The positions of both London and Bonn, which refused to go along with the other 10 member states in approving a Ecu 6.65bn (£4.7bn) joint research programme, were strongly attacked in the Parliament's research committee.

Mr Michel Poniatowski, the committee chairman and former French Interior Minister, accused the UK Government in particular of "vetoing the future" of the other EEC member states.

"England can veto for herself. She cannot veto for the others," he said.

The British position that Ecu 4.2bn was the maximum amount it could approve for the total spending was completely unacceptable, he added.

The MEPs have urged the European Commission to withdraw the entire programme — putting in doubt the future of joint research projects such as Esprit, into information technology, and Race, into advanced telecommunications — if adequate funding is not agreed by the research ministers.

Mr Verhofstadt has told London and Bonn he wants an answer to his "final compromise" figure by April 3. He said the figure was the "very minimum."

"It is not possible to go below without making the programme meaningless. But also it seems impossible to move upwards," he said.

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Saudis scotch report of £1bn submarine deal with French

BY ANDREW GOWERS IN LONDON AND LAURA RAUN IN AMSTERDAM

PRINCE SULTAN, Saudi Defence Minister, has moved to scotch speculation that France has already won a £1bn contract to build submarines and support facilities following the entry of competitive bids from six European countries in a tender late last year.

In a statement published in the Saudi press yesterday, he said no decision had been made yet and the submarine project was still under study.

Observers in Europe believe there will not be a decision for another two months or so.

The statement appeared as a top-level Saudi delegation continued talks in London on a range of economic issues, from oil prices to British "offset" investments in Saudi Arabia following the £5bn deal under which Riyadh is buying 72 Tornado jets, trainer aircraft and other equipment from London.

Britain's Vickers Shipbuilding and Engineering is one of the companies hoping to sell the Saudis about eight submarines, bases and training facilities. It is offering its new Type 2400 diesel-electric submarines.

The Netherlands is also preparing this week to step up its efforts to secure the contract for the Rotterdam Dockyard Company.

The Dutch Government is sending Mr Emil Van Lennep, former secretary-general of the Organisation for Economic Co-operation and Development, to Saudi Arabia on Saturday to talk about the project.

There were also unconfirmed reports in the Dutch press yesterday that the Saudis were seeking to broaden the scope of any deal by coupling it with a £1bn civilian housing project.

The other bidders are Howaldtswerke Deutsche Werft and Thyssen Nordseewerke of West Germany, Directions des Constructions Navales and Thomson CSF of France, Kockums of Sweden, and Fincantieri of Italy.

France has figured prominently in speculation about the likely winner, partly because the Saudis are trying to diversify their military purchases and may not therefore want to follow the Tornado deal with another purchase from Britain, but also because Riyadh has made clear its displeasure at the cool response from British companies so far to its calls for offset investments.

Mr Abdul-Aziz al-Zamil, Saudi Industry Minister, conveyed this once again yesterday to his British counterpart, Mr Paul Channon.

The Tornado deal also figured in talks between Mr Hisham Nazer, Saudi Oil Minister, and Mr Peter Walker, the British Energy Secretary.

US seeks bids for rapid-fire defence gun

By David Buchan, Defence Correspondent

THE US has asked several European manufacturers to submit bids to provide it with a rapid-fire air defence gun, with a contract worth up to $3bn (£2.1bn) to be announced in November.

The contract competition, which involves mainly European companies acting with or without US partners, stems from one of the biggest US defence project fiascos in recent years.

In August 1985, Mr Caspar Weinberger, US Defence Secretary, cancelled the Divad gun project, on the grounds that, even after seven years of development by Ford Aerospace at a cost of $1.8bn, it still would not be effective against modern Soviet helicopters.

The department decided against launching an entirely new research programme which only a US prime contractor would have been well placed to carry out.

The expected contenders for the US gun contract are British Aerospace with its Rapier system, the Franco-German consortium of Euromissile with its Roland weapon. Thomson-CSF of France and LTV of the US offering a development of the former's Shahine missile, and a partnership of Oerlikon-Buhrle of Switzerland with Martin Marietta of the US.

William Dullforce analyses the latest Gatt assessment of trade trends

Poor performance for manufactures

TRADE in manufactured goods turned in one of its poorest performances in the past three decades in 1986, the year when, for the first time in history, the dollar value of world merchandise trade passed $2,000bn (£1,400bn).

Leaving aside the recession years of 1958, 1975 and 1982, the 3 per cent increase in the volume of trade in manufactures was the lowest since the 1950s, the Secretariat of the General Agreement on Tariffs and Trade reports today in its preliminary assessment of trade developments in 1986.

Factors contributing to this weak result were slower economic growth in the industrial countries and lower demand from many countries whose appetite for manufactures was restricted by their own inability to generate earnings from exports of primary products.

West European and Japanese exports of manufactures were dampened by the appreciation of their currencies, while exports of manufactures from the US and other countries have only recently started to respond to the depreciation of their currencies.

Trade restrictions on textiles, clothing, steel, automobiles and consumer electronics acted as a drag on trade in manufactures but were not the key element in explaining the sharp slowdown, Gatt says.

While trade in farm products continued the slow growth pattern of the 1980s with a mere 1 per cent increase last year, trade in mining products, which includes oil, shot ahead by 7 per cent in volume.

At the heart of this increase was a 9 per cent surge in the volume of petroleum trade estimated by the plunge in the crude oil prices from some $30 a barrel in November, 1985 to a temporary low of around $10 in mid-1986.

The 10 per cent gain in the value of world merchandise trade to an estimated $2,110bn last year was due predominantly to the depreciation of the dollar.

West European and Japanese exports of manufactures were dampened by the appreciation of their currencies, while exports of manufactures from the US and other countries have only recently started to respond to the depreciation of their currencies.

So, too, was the advance of West Germany to become the world's biggest exporter, displacing the US by dollar reckoning, although the D-mark value of its exports declined from DM 537bn in 1985 to DM 526bn last year.

Exchange rate movements cloud the 1986 trade picture but the Gatt report highlights a further decline in the share of developing countries in the value of world trade, to 20 per cent on the import side and to 19 per cent in exports.

In 1980, after the second oil price shock, developing countries' share of imports was 24 per cent and of exports 28 per cent.

The combined trade surplus of the 16 indebted countries which Gatt has been following since the debt crisis erupted in 1982 was more than halved, moving from $29bn to an estimated $13bn last year.

Only five managed to boost export earnings, the strongest expansion coming from South Korea and Thailand.

Nevertheless, developing countries as a whole managed a 13 per cent increase in the value of their manufactured exports last year, indicating that volume growth was well above the poor overall 3 per cent rise for manufactures.

For the first time, too, the developing countries earned more foreign exchange selling manufactures than by selling either fuels or other non-primary products. Gatt believes, however, that the six-year downward trend in prices for non-fuel primary products may have bottomed out in 1986.

Four possible explanations for the resistance of the large current account imbalances in the US, West Germany and Japan to the effects of exchange rate realignments, are examined in the Gatt report.

A lowering of prices by exporters in countries with appreciating currencies, taking profit cuts to protect market shares, does not in Gatt's view explain why the imbalances actually increased last year.

It also finds that the competitiveness of US producers has improved markedly, contrary to suggestions that the decline in the dollar's nominal value does not reflect the real situation.

Finally, Gatt plumps for the argument that the imbalances have not declined because the exchange rate realignments have not been supported by changes in macroeconomic policies

In 1987, the Gatt economists foresee a 2.5 per cent growth in the volume of world trade compared with the 3.5 per cent recorded in 1986.

That was considerably below the 4-5 per cent increase they forecast at this time last year.

GE engine for new UK-Italian helicopter

By Michael Donne, Aerospace Correspondent

THE Anglo-Italian helicopter manufacturing consortium, EH Industries, which is building the new military and civil EH-101 helicopter, is to use General Electric's CT7-6 engine for the initial versions of the aircraft.

The first EH-101 is due to roll out at the Westland Helicopter's factory at Yeovil early next month.

It is designed to replace ageing Sea King anti-submarine warfare helicopters, but also to be used in a wide variety of military missions, with a civil transport version also planned.

The CT7-6 engine is a joint venture between GE, Alfa Romeo and Fiat Aviazione.

Eventually, it is still hoped that the new UK-French (Rolls-Royce - Turbomeca) RTM-322 engine will be used in the EH-101, instead of the GE engine.

● Canadian Airlines International, the new name for the airline created by the merger of Canadian Pacific Airlines and Pacific Western Airlines of Calgary, has ordered six Jetstream 31 twin turbo-prop airliners from British Aerospace, worth about C$20m (£9.5m), with options on a further six aircraft.

Finns buy Soviet oil for resale

BY PETER MONTAGNON IN LONDON AND OLLI VIRTANEN IN HELSINKI

THE SOVIET UNION has agreed to sell Finland 250,000 tonnes of crude oil for resale on world markets. This first consignment of extra oil is designed to help balance the clearing account for trade between the two countries.

Agreement on the sale was reached in talks between the two sides in Moscow last week and marks a tentative breakthrough because the Soviet Union agreed that the sale should take place at world market prices.

Soviet exports of up to 5m tonnes of crude oil and oil-related products for resale in world markets were pencilled in to this year's bilateral trade agreement between the two countries.

But until now they have not materialised because of Soviet attempts to charge more than the world market price.

Finland and the Soviet Union have a long-standing agreement that their trade should balance, with Finland buying mainly oil from the Soviet Union and selling capital goods, such as ice-breaking ships.

However, largely because of the fall in the oil price, Finland's surplus with the Soviet Union rose to some Roubles 600m last year and it now faces a severe cut in its exports to that country unless additional trade can be generated through extra sales of oil.

Finland values its trade agreement with Moscow because it provides a bolster for its export industry.

But industrialists in Helsinki say the slow progress in talks on extra oil sales may partly reflect a Soviet desire to divert oil exports away to other markets from which it can earn much needed hard currency.

Sara Webb reports from Stockholm: ABV, the Swedish construction group, has signed an agreement with the East German foreign trade organisation Limex-Bau-Export-Import to build a new hotel in Dresden.

The cash contract is worth about SKr 500m (£56m). ABV still has to decide whether to subcontract some of the work to other companies, possibly from East Germany or Poland.

The 350-room, six-storey hotel will belong to Interhotel, the East German chain which consists of about 30 tourist-class hotels and will probably be called Dresdener Hof. Construction should be completed by the end of 1989, as the authorities plan to open the hotel in February 1990 to commemorate 45 years since the destruction of Dresden.

SOVIET TRADE OUTLOOK

Moscow faces imports problem

BY WILLIAM DULLFORCE IN GENEVA

THE SOVIET Union may find it difficult this year to maintain even its depleted 1986 level of imports without increasing its foreign debt or gold sales. Soviet imports from the West fell by 17 per cent in volume in the first nine months of last year, following the plunge in prices commanded by its oil exports.

The prediction for 1987, contained in the latest report by the United Nations Economic Commission for Europe (ECE), assumes that the current oil price of about $18 a barrel will be maintained and that the US dollar will not continue to depreciate. Should either fall further, Soviet difficulties in generating hard currency export earnings to pay for imports would be aggravated.

The ECE secretariat sees some scope for higher Soviet imports of engineering products but predicts that Moscow is almost certain to curb foodstuff imports in the wake of the good 1986 harvest.

The ECE is the only international body which puts together reports on eastern and western economies. Its prediction last year that East-West trade would slump badly after the collapse in world oil prices was only partly fulfilled.

At 17 per cent, the reduction in the volume of Soviet imports in the first nine months was smaller than anticipated. Imports by the six East European members of Comecon grew by 1 per cent in volume in that period but with a marked deceleration in the third quarter.

Last year's oil price changes and dollar depreciation resulted in a deterioration of 8 per cent in Eastern Europe's terms of trade with the West: the fall for the Soviet Union was 33 per cent.

A combination of two factors mitigated the impact of these changes. One was a substantial recovery in the volume of Europe's exports in the first nine months with Soviet fuel exports, in particular, rebounding from their depressed 1985 level.

The second was the deterioration on their current accounts which most eastern countries allowed, although they started to apply the brakes in the second half. Eastern Europe's 1985 current account surplus of $2bn moved into a deficit of almost the same amount in 1986.

Its combined net debt climbed to $65bn from $55bn in 1985, although a substantial part of this change is attributable to the dollar's depreciation.

	Medium and Long Term Borrowings ($m) 1985	1986	Net Convertible Currency Debt ($bn) end-June, 1986
Bulgaria	475	45	2.9
Czechoslovakia	122	429	2.7
East Germany	1,173	81	8.0
Hungary	1,578	1,315	11.7
Poland	—	—	29.5
Romania	158	—	6.8
Soviet Union	1,489	1,827	21.8
Comecon Banks	250	400	

The Soviet Union's trade deficit with the West widened sharply, promoting an increase in the Soviet net debt from $19bn in 1985 to some $24bn at the end of last year.

Changes in the terms of trade are expected to exercise much less influence on East-West trade this year. Eastern countries' import capacity, the ECE secretariat believes, will depend chiefly on their ability to increase the volume of hard currency exports and on attitudes towards export financing.

In published plans, East bloc countries foresee only a small expansion in exports to the West while in the ECE's view it is almost certain that some countries, seeking to improve their current accounts, will restrain imports.

As for the Soviet Union, even after the plunge in oil prices last year, fuels still accounted for about two-thirds of its export revenues and the ECE notes that the 1987 plan provides for only a small rise in production of oil products from 615m to 617m tonnes.

Moreover, the growth in natural gas exports in 1986 is unlikely to be repeated this year since only a marginal increase in gas consumption is expected in Western Europe.

The ECE report notes that the six East European states are aiming at a growth rate of 5.2 per cent a year in 1986-90, or two and a half times that achieved in 1981-85, while the 4.8 per cent rate envisaged in the Soviet Union is also above that obtained in the earlier period.

All seven countries are planning for a faster expansion in foreign trade than in domestic output. A greater share of investment is to go towards rebuilding and re-equipping existing plant, opening up the market for the renewal of machines and other equipment.

Success in these strategies, the ECE comments, depends heavily on the major changes in management and planning practices now recognised as necessary to bring about "resource-efficient" development.

EAST-WEST TRADE BY VALUE (in US dollars)
(percentage changes over same period of previous year)

	Western exports to 1984	1985	Jan-Sept 1986	Western imports from 1984	1985	Jan-Sept 1986
Soviet Union	−2	−2	−1	3	−12	−7
Eastern Europe	−5	7	21	10	−3	14

OVERSEAS NEWS

Singh criticises Gandhi over 'personality cults'

BY JOHN ELLIOTT IN NEW DELHI

DIFFERENCES between Mr Rajiv Gandhi, the Prime Minister of India, and Mr Zail Singh, the president, were highlighted yesterday when an Indian magazine published thinly veiled criticisms about Mr Gandhi which it said had been made by the president.

At the end of a week during which Mr Gandhi has suffered significant regional election setbacks, Mr Singh is reported in the Illustrated weekly of India to have criticised political personality cults. A lack of internal democracy in political parties, and those political leaders who do not allow people to speak their mind.

The report is based on conversations which Mr Pritish Nandy, the magazine editor, has had recently with the president. Last night the President's spokesman admitted Mr Singh had met Mr Nandy but insisted, according to Indian convention, that no interview had taken place.

The points mentioned are all in line with general criticisms made of Mr Gandhi who unsuccessfully fought the recent regional elections on the base of his own personal prestige, who has not held promised internal office-bearer elections in his Congress I Party, and has suspended critics from the party.

This report threatens to escalate a row between the two men which has been building up for the past two years during which Mr Gandhi has snubbed Mr Singh.

Recently Mr Singh rebutted claims made in the Indian parliament by Mr Gandhi that the president was being kept fully briefed on national and international affairs.

This political row has spilled over into a potential government scandal concerning the alleged hiring by the finance ministry of a US detective agency to investigate corruption among industrialists and, possibly, ministers.

This in turn has raised questions about the political future of Mr Vishwanath Pratap Singh, who Mr Gandhi abruptly moved from being Finance Minister to be Defence Minister two months ago. Mr Singh is one of the most respected and popular members of the cabinet.

Botha opens campaign in Afrikaner heartland

BY ANTHONY ROBINSON IN LICHTENBURG, WESTERN TRANSVAAL

CURBING the haemorrage of right wing votes in the ruling National Party's Transvaal heartland is top priority for president P. N. Botha in the whites-only election campaign. To underline the point he chose Lichtenburg, this stronghold of the right-wing conservative party in the heart of drought-stricken western Transvaal corn country for his opening campaign speech as party leader.

For good measure he took Mr Louis Le Grange, the tough former Minister of Law and Order and speaker of the White House of Assembly, who enjoys a reputation as the most right wing member of the cabinet.

Lichtenburgers are the kind of people who want to be assured by their leaders that their tranquil world will not be threatened by rapid change. They are not seeking a new vision of the future, like the disgruntled intellectuals and Afrikaner yuppies from the big cities and the Cape.

Mr Botha wooed sceptical farmers with promises of further financial assistance before broadening the horizon to launch a fierce attack on western "selective morality" and America's "vengeful sanctions policies". Mrs Thatcher did not escape unscathed as the contrasted her tough line on international terrorism with Sir Geoffrey Howe's meeting with Mr Oliver Tambo, leader of the banned African National Congress.

Despite the perfidy of the west "the South African Government is not prepared to surrender" to the communist-inspired "onslaught" he thundered, to polite rather than enthusiastic applause.

Syrians kill three gunmen in Beirut

Syrian soldiers killed three gunmen in West Beirut yesterday, and seven small bombs exploded in residential neighbourhoods of the capital's Syrian-policed Moslem sector, police said, AP reports from Beirut.

They said the blasts set a car ablaze and shattered windows, but caused no casualties.

Soldiers of the elite Syrian special forces erected dozens of checkpoints across West Beirut after the first five bombs went off around dawn. Troops were observed frisking pedestrians and motorists, as firemen extinguished a blazing car. Two more bombs went off in mid-afternoon in garbage dumps.

A police spokesman said Syrian soldiers "opened up at the gunmen before they were able to fire" at a Syrian checkpoint

The blasts brought to 12 the number of bomb attacks in West Beirut since Syria deployed 7,500 soldiers and 100 tanks in the capital's Moslem sector on February 22.

Malaysia revival

Bank Negara, the Malaysian central bank, said yesterday the country's economy was reviving after two traumatic years of recession, and a real growth rate of between 1.5 per cent and 2 per cent was expected for this year, Wong Sulong writes from Kuala Lumpur. The economy registered a growth rate of 1 per cent for last year and minus 1 per cent for 1985.

Tunis cuts Iran links

Tunisia has broken diplomatic relations with Iran citing the "recruitment of Tunisians living abroad for subversive activities" and activities of the Iranian embassy in Tunis "incompatible with its diplomatic status," Francis Ghiles writes.

Afghanis kill 147

At least 147 people were killed and more than 205 injured in bombing raids by the Afghan air force on Pakistani border villages, a Foreign Ministry spokesman said yesterday, Mohamed Aftab reports from Islamabad. On Monday, 181 villagers were reported killed in air raids.

Andrew Whitley in Jerusalem reports on Israeli's cooler relations with S Africa

US pressure divides the two 'pariahs'

STANDING out among the nondescript, often tawdry, buildings lining Tel Aviv's sea front corniche is an impressive, black glass-walled edifice. Flying a strange, unidentifiable flag, it overshadows the British Embassy to its left.

There is rarely any sign of movement from the building, an indication perhaps that its occupants have time on their hands. Going closer, one learns from the brass plate that this is the trade mission of Bophuthatswana, the "independent" South African tribal homeland.

In contrast with the Begin era, in the late 1970s, when a rush by Israelis to do business in the new homelands symbolised the burgeoning friendship with South Africa, the ostentatious legation where time hangs heavy is nowadays officially shunned.

The Foreign Ministry claims it is an embarrassment it can do nothing about—just as the ministry is repeatedly embarrassed by the visits senior government officials continue to make to South Africa—in defiance of instructions to maintain a low profile.

But, then, Israel's policy towards the white minority regime has from the start been deeply ambivalent; juggling the ethical approach to foreign affairs the Jewish state feels it should display with a pragmatism borne out of the need for solidarity with its fellow international "pariah."

Goaded into action by an impending report to Congress on the arms links US allies maintain with Pretoria, last week Israel followed the rest of the Western world and announced its own sanctions against South Africa.

Cultural and tourism links will be curbed, while no new contracts will be signed in the sphere of defence, Mr Shimon Peres, the Foreign Minister, announced.

In reluctantly going along with sanctions, the ruling triumvirate—Prime Minister Yitzhak Shamir of Likud and Labour's Mr Peres and Mr Yitzhak Rabin, the Defence Minister—reversed their decision of two months earlier.

Israel has never been keen on sanctions, for the obvious reason that the precedent could be used against itself. And, in January, it was felt that the country should simply keep its head down, do nothing, and wait for the impending storm from Washington to blow over.

The reasoning was simple. Although defence experts can identify the significant contribution Israeli military technology makes to the South African forces, actually pinning down the trade flows and contractual relationships between the two defence industries is extremely hard.

Peres: sanction precedent worries.

Of necessity, Israeli's arms salesmen are highly skilled at covering their tracks, operating through the usual network of foreign intermediaries, cut-outs and Panama-registered shell companies.

A handful of local manufacturing and technology transfer deals have been well known for years. There is the Cheetah, the South African combat aircraft based on the Kfir—Israel's variant on the French Mirage III—and there are the fast missile boats built under licence from Israel shipyards, with their Israeli Gabriel-type ship-to-ship missiles. Remote controlled drones, the light spotter aircraft Israel specialises in, are also believed to have been sold to South Africa.

But the bulk of the business, estimated by Israeli defence analysts as being worth over US$200m a year, almost certainly comes more from the provision of services than the sale of hardware. Upgrading ageing Mirage fighters and giving the South African air force a long-range refuelling capability has, for example, reportedly kept hundreds of Israelis employed in South Africa.

What forced the National Unity Government's hand was the belated realisation that it had seriously misjudged the mood of American public opinion, including that of Jewish liberals, towards South Africa. After the Pollard spy affair and Irangate, it was feared Congress could well have held up, or reduced, the $43bn in annual grants it provides Israel.

What the Government has therefore done is to attempt to take the sting out of the report President Ronald Reagan will deliver to Congress, by showing a willingness to co-operate, through actions likely to prove of mainly symbolic value.

No fundamental reassessment of Israeli-South African relations has taken place—or is in prospect under a government in which the right-wing Likud is an equal partner. It is a relationship based at one level on shared strategic and diplomatic considerations and, on another, on the presence in South Africa of a large and prosperous Jewish community.

Through a special dispensation, the 120,000-strong community is permitted to remit over $50m a year to Israel, for investment or philanthropic purposes.

Trade between the two countries has declined substantially in recent years, at least in identifiable non-military goods. Israel's reported exports of $104m in 1984 were down by half last year, while in the other direction only coal remains as a substantial item. South Africa met 50 per cent of Israel's steam coal needs last year, shipping 1.75m tonnes.

Muted reaction in Macao to accord

BY DAVID DODWELL IN HONG KONG

REACTIONS in Macao to the Sino-Portuguese accord were muted yesterday, with few people aware of the detail of the declaration, and even fewer aware of any surprises.

The mood was in stark contrast with the frenzy in Hong Kong in September 1984, when the Sino-British declaration on the territory's future was made public.

On the day the document was released, over 1m copies were handed out, with long queues outside government offices until late into the evening.

In Macao yesterday only a handful of officials and political leaders had managed to see copies of the declaration.

Debate raged for weeks in Hong Kong on the Sino-British document, while an assessment office set up by the British Government worked round the clock to gauge local people's reactions to its conclusions.

Portuguese officials in Macao said that there were no plans for an assessment office to be set up. The general view was that China's influence in the tiny Portuguese enclave had been so comprehensive in recent years that it was not necessary.

"The majority of people don't care very much," commented one prominent journalist. "In due course, the Portuguese here will return to Portugal. Many of the Macanese are also making their plans to go away. As for the Chinese, they have seen the agreement on Hong Kong, and were not surprised to see a similar solution."

Dr Carlos Assumpcao, president of Macao's legislative assembly, insisted that the agreement was favourable and satisfactory. He said it took into account the aspirations of the Macao people and provided a basis for continued growth and prosperity in the territory.

However, a number of political leaders complained that they had been left in the dark as the fine print of the joint declaration was drafted. Officials confirmed that any consultation taking place in the territory had taken place privately, with no attempt to plumb public opinion on hopes for the future.

Some noted that the declaration appeared to be better than expected and in some respects better than the Sino-British agreement. The apparent assurance that Macao residents holding Portuguese passports in 1999 would be allowed to go on using them, and have Portuguese citizenship rights, was seen as a clear improvement on Britain's failure to agree with China in the joint declaration on nationality rights.

Few noted the conspicuous gaps in the Sino-Portuguese agreement—most significantly the absence of any specific reference to the maintenance of the existing judicial system, as was made in the first annex of the Sino-British agreement. Assurances on the legal system were seen in Hong Kong as critical to the maintenance of civil liberties, and of international business confidence.

Several politicians said the main responsibility of the government would now be to accelerate localisation. Very few Chinese are employed in the local civil service, and none in the judiciary.

PORTUGAL has signed Macao over to Chinese control, paving the way for an intensified campaign by Peking to reunite Taiwan with the mainland and complete the "reunification" of China, Robert Thomson writes from Peking.

China and Portugal signed a joint declaration in Peking's Great Hall of the People yesterday giving the communist government control of the southern Chinese enclave from December 20, 1999, and supposedly ensuring that its capitalist system will remain in place for 50 years.

The Chinese had called Macao, like Hong Kong, a "problem left over from history," and insisted that the handover be covered by the "one country, two systems" formula used for Hong Kong, which will return to Chinese control in 1997.

New Zealand budget

THE Financial Times reported on March 14 that for the first 10 months of the 1986-87 financial year which ends on March 31, New Zealand's budget deficit had swollen to NZ$4.3bn, NZ$1.9bn over the Government's projected deficit for the full year of NZ$2.4bn.

Mr Roger Douglas, the New Zealand Finance Minister has asked us to point out that the Government has revised the projected full deficit up to NZ$2.89bn.

He also points out that the New Zealand Government's deficit before borrowing routinely rises to a high point in the 10th or 11th month of every financial year, in expectation of large revenue inflows in the last month of the financial year.

He adds that from early indications the balance of probabilities is that the 1986-87 budget deficit will be lower than the $2.89bn forecast.

AMERICAN NEWS

US securities body proposes takeover curbs

BY LIONEL BARBER IN WASHINGTON

THE SECURITIES Industry Association — the umbrella group representing more than 500 US brokerage and investment banking firms—has proposed curbs on corporate takeovers to try to beat tough regulatory laws before Congress.

The SIA has been forced to act fast in response to several Wall Street insider trading scandals but it is resisting increased penalties for the practice.

The SIA proposals include banning "poison pill" takeover defence and "greenmail" payments to corporate raiders without shareholder approval. A poison pill is a tactic used by corporate management to make the costs of a hostile bid more expensive. Greenmail is payment, at an above-the-market price, to a raider who agrees to drop his bid and sell his stock back to the company.

The SIA's proposals do not include restrictions on junk bonds or increased penalties for illegal insider trading. The SIA suggests that Congress should come up with its own statutory definition of insider trading, which some lawmakers believe is a legal minefield.

Yesterdaycongressio nalo bservers in two key committees—the House Energy and Commerce Committee and the Senate Banking Committee—suggested the SIA's proposals did not go far enough.

Senator William Proxmire, chairman oft he Senate Banking Committee, has floated the idea that firms whose employees break the law should be penalised. The SIA, aware that thiswo uld increase the firms' liabilities, opposed the proposal.

It argues: "A firm which has reasonable procedures for detecting and preventing violations of securities laws should be exempt from liability for violations by employees who breach these procedures."

The SIA also proposes a requirement for investors to disclose their holdings before they acquire more than 5 per cent of a public company, a recommendation that anyone buying more than 20 per cent of shares in a public company should purchase shares through a tender offer made to all shareholders, stricter rules on what are known as "investor groups" or, in the UK, "concert parties," and an extension of the minimum offering period for tender offers to 30 calendar days from 20 business days.

Trade bill advances

BY NANCY DUNNE IN WASHINGTON

PROPOSED legislation to toughen US trade laws advanced towards the floor of the House of Representatives after parts of it passed two key committees

The bill goes to the Rules Committee, which is expected to limit the number of amendments to block the addition of blatantly protectionist measures from the floor.

The bulk of the bill, passed by the powerful Ways and Means Committee by a 34-2 bipartisan vote, is much less protectionist than proposals passed by the House last year. The chances of the bill getting White House approval were strengthened by the elimination of a measure included in the 1986 bill, which required President Ronald Reagan to retaliate against countries, such as Japan, if they did not begin to reduce their large trade surpluses.

It would require action against countries found guilty of "unfair trade" practices, such as closed markets, but it would give the President discretion to declare that retaliation was not in the national economic interest.

Other provisions include a transfer of power from the President to his trade representative to order import curbs to help industries hurt by foreign competition, broadening of the definition of "unfair trade" to include foreign denial of workers' rights, and multilateral trade negotiating authority for the President.

The bill is expected to pass the House by the end of next month.

Canada to support oil and gas industry

By Bernard Simon in Toronto

THE Canadian Government has reversed its free-market energy policy by unveiling a cash grants programme worth C$350m (£167m) a year for the hard-pressed oil and gas drilling industry.

The incentives, which take effect on April 1, respond to concern at the widening disparity between the strong industrialised economies of Ontario and Quebec and oil-producing regions of western Canada.

Mr Marcel Masse, Federal Energy Minister, estimated that the programme would lead to C$1bn of extra investment and create 15,000 jobs. The grants, designed mainly for small and medium-sized companies, will cover a third of an operator's oil and gas drilling costs up to a maximum of C$10m a year.

Mr Masse said: "more aggressive and direct action is needed to assist the oil and gas industry to further develop the resource potential of the country during this period of uncertainty."

The programme will also spur outside investment in drilling companies

About 25,000 jobs have been lost in the main oil-producing province of Alberta since the slide in oil prices in late 1985. The number of rigs drilling for oil throughout the country has shrunk from a record 472 in February 1986 to 162 last month.

GM's Michigan plants on strike

MORE THAN 9,000 members of the United Auto Workers Union went on strike yesterday at General Motors' three truck and bus plants in Pontiac, Michigan, writes David Owen in New York.

The plants make all of GM's medium- and heavy-duty trucks and about one-third of the company's full-sized pick-up trucks and half of its sports utility trucks.

The union said the strike was called over unresolved health and safety grievances, as well as GM's decision to transfer some jobs to non-UAW members.

GM said it was eager to continue meeting with union officials on the dispute.

Tim Coone on the steps that led to Buenos Aires becoming a world competitor

Argentina joins nuclear power market

IN the beginning there was Peron. An army colonel who came to power in 1945 and the father of Argentine nationalism, Juan Peron laid the foundations of his country's nuclear industry.

Greatly impressed by the strategic implications of Hiroshima and Nagasaki, and the succession of nuclear tests in the Pacific Ocean and the Soviet tundra, he established the Argentinian Atomic Energy Commission (CNEA) in 1950 to develop Argentina's nuclear industry.

Progress was slow but Peron lived just long enough to see Argentina's first nuclear power reactor to come into operation in 1974, built by Kraftwerk Union (KWU) of West Germany.

However, a major step forward was made earlier this month when Enace, a 75 per cent state-controlled company (the other 25 per cent is owned by KWU) unveiled the first all-Argentinian nuclear power station design, the Argos PHWR 380, aimed at the domestic and international market.

Also, Argentina joined an international consortium to bid for the completion of Iran's 1,000 MW Bushehr I nuclear power station, which if successful will be the first major international contract for Argentina's nuclear industry. (Argentina has sold one small research reactor to Peru).

After 37 years of often secret development work, Argentina is therefore presenting itself for the first time as a serious competitor in the international market place for advanced nuclear technology.

The concern and likely controversy that will surround this move is the country refuses to sign the Nuclear non-Proliferation Treaty (NPT).

Mr Abel Gonzalez, the president of Enace which will manufacture Argos 380, has a ready answer. "We are equally concerned by the failure of the superpowers to effectively control proliferation and by the lack of any significant advance in the field of disarmament."

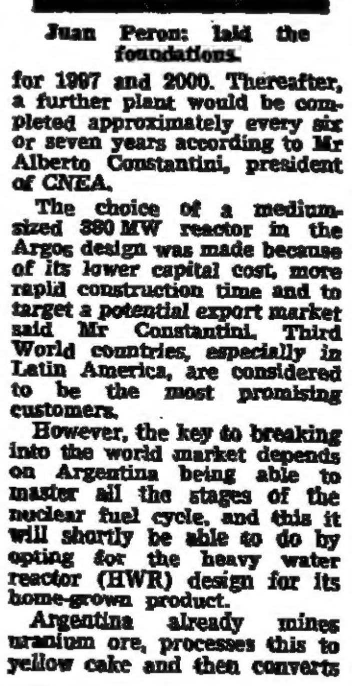
In fact, President Raul Alfonsin has stated on a number of occasions that Argentina has no intention of developing nuclear weapons, and the principal objection to ratifying the NPT hinges around the commercial aspect. In a speech in May last year commemorating the foundation of the CNEA, President Alfonsin said: "We are convinced that the system of safeguards of the International Atomic Energy Organisation constitutes the appropriate means to ensure the non-proliferation of nuclear arms.

"Any other additional requirements such as the restrictions on the transfer of technology in areas tendentiously termed sensitive, seem suspiciously like a means of hiding intentions of preserving political and commercial supremacy."

Argentina's nuclear energy programme is not, however, seen as a priority within its electricity development plans. According to the recently presidential approved national energy plan 1985-2000 "a massive expansion of electricity supply from nuclear sources is not envisaged."

The main expansion over the next 13 years will come from hydro-electric development to meet an expected doubling in demand for electricity by the year 2000.

Nuclear-generated power, however, will retain its 15 per cent share of total generation by the construction of two additional 380 MW reactors, with completion dates targeted for 1997 and 2000. Thereafter, a further plant would be completed approximately every six or seven years according to Mr Alberto Constantini, president of CNEA.



Juan Peron: laid the foundations.

The choice of a medium-sized 380 MW reactor in the Argos design was made because of its lower capital cost, more rapid construction time and to target a potential export market said Mr Constantini. Third World countries, especially in Latin America, are considered to be the most promising customers.

However, the key to breaking into the world market depends on Argentina being able to master all the stages of the nuclear fuel cycle, and this it will shortly be able to do by opting for the heavy water reactor (HWR) design for its home-grown product.

Argentina already mines uranium ore, processes this to yellow cake and then converts this into pellets of natural uranium to charge its existing and planned nuclear power stations. All are heavy water reactors.

The first, Atucha 1 of 350 MW capacity, the second of Canadian design being a 600 MW Candu reactor which came into operation in 1983, and the third—Atucha II—of 750 MW capacity, like Atucha I is being built with KWU assistance but with a higher proportion of Argentine built parts which will come on-line in 1992.

Heavy water reactors can be run on natural uranium without the need for the nuclear programme to embark on the heavy expense of fuel enrichment.

A heavy water plant is under construction in Argentina by Sulzer Brothers of Switzerland, and will come into operation in 1988. The Zircalloy tubes which house the nuclear fuel elements and together form the heart of the reactor, are also being manufactured in a pilot plant in Argentina, with full scale production expected by 1990.

Together with the experience gained in nuclear plant construction and operation, Argentina will therefore shortly be self-sufficient both in technology and the fuel cycle, for the production, operation and export of heavy water reactors utilising natural uranium.

However, it is going two steps further. First, a gas-diffusion process uranium enrichment plant is to be completed this year. The justification for enriched uranium manufacture is that the addition of small quantities of enriched uranium in the HWR reactors greatly increases their efficiency and extends the life of Argentina's uranium resources.

Second, a fuel reprocessing facility being constructed near the capital will come into full operation in 1989, enabling the spent fuel elements to be recycled and thereby giving Argentina complete control of the nuclear fuel cycle. Both these controversial plants have been developed by Argentina itself. The concern surrounding them is that they can produce the key elements necessary for either of the two pathways to the production of nuclear weapons, namely enriched uranium and plutonium.

Despite the insistent denials that Argentina may produce nuclear weapons, ambiguities and concerns persist. An additional reason besides the commercial one, for not ratifying the NPT and published in a report produced by Argenttina's advisory council on nuclear policy in 1984 is that the NPT "does not contain any guarantee to protect non-nuclear countries from possible threats or attacks with atomic weapons by the nuclear powers."

The clear implication is that by not ratifying the NPT, Argentina reserves the right to produce nuclear weapons should such a threat become evident.

President Alfonsin has inherited a pre-existing nuclear programme conceived and developed by more nationalist and militarist leaders. However, his international standing is high and his consistent stance on nuclear disarmament have given greater plausibility to his government's claims that Argentina is seeking to develop nuclear technology only for peaceful purposes, both for Argentina's development and for the export market.

Politicians, lawyers and scientists involved in the nuclear programme in Argentina are upset and offended at the suggestion that they might be producing nuclear weapons. Perhaps it is the inevitable price they have to pay and will continue to pay for wishing to step into the international nuclear arena and take on the giants

Mexico's investment gap 'exceeds its foreign debt'

THE MEXICAN economy has experienced an "investment gap" equivalent to more than its foreign debt of $100bn since the debt crisis began in 1982, according to a paper presented in New York this week, writes David Gardner in Mexico City.

This gap, of $119bn, is calculated as the difference between total fixed investment actually carried out from 1982—including government projections for this year—and investment which would have taken place assuming average GDP growth of 5 per cent a year and an annual average rise in fixed investment of 8 per cent.

These two assumptions are to be gauged against average GDP growth of 6.6 per cent a year from 1940 to 1981, and the projections of the government's National Industrial Development Plan of 1978, which foresaw national output growing by 10 per cent a year and gross investment by 13.7 per cent throughout the 1980s.

The study was prepared by Dr Rogelio Ramirez de la O, the Cambridge-trained head of Ecanal, a private economic consultancy, and presented to a seminar on the Mexican economy in New York this week.

The study shows that when the investment gap opened in 1982 it was more or less equal to foreign debt service repayments. This year, however, in spite of government plans to raise capital spending 15 per cent in real terms, for which it has just ben promised $7.6bn in new commercial bank loans, "foregone" investment is three-and-a-half times debt service.

"The accumulated damage is such that we cannot reach a GDP from which the required investment can be carried out," Dr Ramirez said.

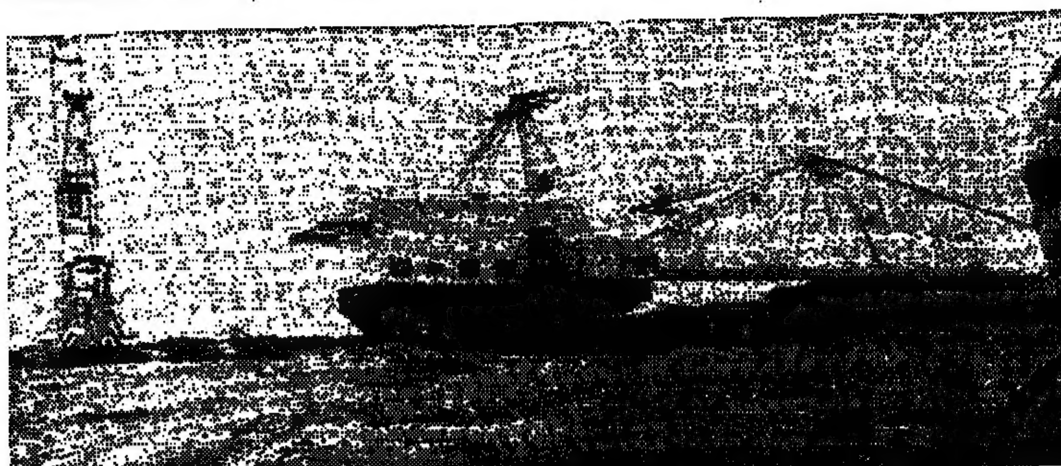
Clashes injure 14 in Ecuador

AT LEAST 14 people were injured, including three soldiers and five police officers, during a one-day general strike by Ecuadorean workers over austerity measures prompted by an earthquake on March 5, Reuter reports from Quito.

At least 83 people in eight cities were detained for stoning police, assaulting soldiers, damaging buildings, and burning cars.

THE THATCHER YEARS

Part five: casualties. **David Brindle** talks to the Corby steelworkers who lost their jobs in 1979 and (right) **Charles Leadbeater** examines the policy errors which have led to persistent mass unemployment in the UK



Bill Kearney: "After 30 years in the works, I don't think I should do a woman's job to survive."

ALMOST ALL the steelworks has gone now. But Bill Miller still sees them come to stand and stare at the empty site. Sometimes, he says they cry.

Mr Miller was one of 6,100 people at Corby, Northants, who lost their jobs when closure of "the works" was announced in 1979. Today, he runs one of the fledgling businesses housed in Corby Workshops — the industrial nursery set up on the edge of the site.

Those he watches from his vantage point are former steelworkers, usually the older ones, who have found it so difficult to accept life without the works which *was* Corby.

In 1979 no fewer than 10,493 of the town's workforce of 23,332 were employed by British Steel. Registered unemployment was 7.1 per cent. Eight years on, BS and its contractors employ about 3,000 at the spared and now-profitable tubeworks. Unemployment is 17.4 per cent.

This high rate persists in spite of the arguably unparalleled aid that has poured into Corby. Because of its dependence on a single industry, the town has received millions from BS itself, from the EEC and from the Government. It has been accorded development area and enterprise zone status which has attracted many new employers.

The change in Corby's employment base has polarised opinion among the displaced steelworkers. There are those who argue that, for all the pain of transition, the town is stronger for diversifying; and there are those who say the town is broken, its sense of community gone and its people cowed and spiritless.

Of the latter opinion is Bill Kearney, formerly a supervisor at the works' Bessemer plant, who arrived in Corby in 1948 for a job and, even more important at that time, a house offered by the Stewarts and Lloyds iron and steel company.

Mr Kearney started as a labourer and, as he says, "17th spare man" for a production job on the Bessemer. His great pride is that he worked his way up to the top production job and became a senior trade union representative as well. Since he left the works aged 54, he has had only one, short period of employment, as a driver.

He says: "I know people today who were in the works with me. Do you know what they are doing now? They are doing women's jobs — at £1.85 an hour. After 30 years in the works, I don't think I should have to do a woman's job to survive."

Mr and Mrs Kearney receive £85-£90 supplementary benefit each week, topped-up by occasional (declared) taxi-driving. Though he will not leave Corby, he says: "The whole atmosphere has gone: everybody is looking out for his own, looking after number one."

Loss of social and community cohesion through organisations that were part and parcel of the works and its unions is also deeply felt by Frank Smyth, 47, a father-of-four who has been in and out of work since the closure.

Mr Smyth, formerly a cutter of steel strip, took some educational courses immediately after the closure and was bored by subsequent employment in the warehouse of Oxford University Press (a "new" Corby employer) and as a taxi driver. He then invested, and lost, part of his £6,000 BS redundancy pay in an unsuccessful toy shop.

Two two-year spells on the dole followed, either side of employment as an audit clerk with a "new" electronics company. Typical of a growing trend, the job was classed as temporary and Mr Smyth's services were summarily dispensed with after 11 months.

Since last October, Mr Smyth has been lorry-driving. "I had given up looking a long time before: I had applied for countless jobs, often not getting replies. In the end somebody I knew 'phoned me up and asked me to work for them.

Tom McConnachie also thinks himself lucky. A blastfurnaceman, he left the works to become foreman of a coalyard, which went out of business "at 10 minutes' notice," and then spent four weeks on the dole before finding a job with OUP. Unlike others, he was willing to adapt.

"Only once did I let my pride get in my way," says Mr McConnachie, 49, married with one son. "I went for a security guard job and stood in a queue across a yard in the freezing cold. It was 98p an hour — this is 1980 — and I says to the man: 'You're joking.' He says: 'You get a free uniform.' I says: 'You can stuff your 98p and you can stuff your uniform.'"

Mr McConnachie, a Labour district councillor who took part

CLASS OF '79

in three job marches to London ("None of them did a blind bit of good") is anxious to attract more reputable employers to Corby in place of what he calls "the fly-by-night cowboys" who, he says, have been attracted to the deregulated enterprise zone.

"A man can accept redundancy once: he can't accept it half-a-dozen times, job after job. This is what's happening now," Mr McConnachie adds.

It is perhaps fear of repeated redundancy that has driven some ex-steelworkers to set up their own businesses. Bill Miller, in Corby Workshops, runs Cor-Ket Hygiene, specialising in shredding confidential documents and granulating reject plastics. British Steel Industry, BS's job-creation arm, loaned him £3,000 for the venture.

Mr Miller, 53, a former digger driver on the Corby iron ore workings, initially received £8,500 redundancy plus "re-adaptation" training which led him into an ill-fated plant hire co-operative. He had put up £2,000.

Cor-Ket gives him and his sole colleague, his wife Mona, "enough to live on." He has belatedly discovered that he may be eligible for a grant to recruit two workers, but is wary of taking on labour. What Mr Miller likes is the incentive of being his own boss: "You don't come in at 8 o'clock and say it's time for a cup of tea."

A sentiment shared by Joe Gribben, though he starts considerably earlier than 8 am in preparing the wet fish stall he runs three days a week in Corby's market square.

Mr Gribben, 43, and an engineer in the works for 11 years, spotted the lack of a fishmonger in Corby well before he was made redundant with £8,000 in his pocket. He kept silent about his plans, but was on the road with a mobile fish shop the week after he left BS.

Seven years later, Mr Gribben has all the requisite banter and showmanship. He also has the distinct advantage in Corby, a largely Scottish colony, of hailing from Greenock. The business has thrived, but he has separated from his wife and passed to her the shop they established jointly. He is happy with the income from his stall.

"I could earn more in a factory, but I wouldn't want to go back — I like the freedom too much," says Mr Gribben, skilled engineer turned fish purveyor to Corby, steeltown turning servicetown.

Outside, with no way in

IN THE early 1980s this country went to war to defeat inflation, for the benefit of all. But now the survivors seem to have forgotten the dead and wounded."

That is how one monetarist-inclined, former senior Treasury official describes the history of unemployment under the Thatcher Government.

As he suggests, the record falls into two phases, raising two questions: first, what responsibility does the Government bear for the rise in unemployment in the early years of its administration? Second, could it have prevented the United Kingdom from becoming a country with persistently high unemployment?

While Mrs Thatcher came to power with policies very different from those of other post-war governments, her administration's approach to the problem of unemployment was shaped by the experience of the 1970s.

For most economists, a key lesson of that decade was that Government attempts to maintain employment above a certain level—described as the "natural rate"—would lead to permanently accelerating inflation. However, they were convinced that unemployment above the natural rate would be self-correcting because it would lead to lower wage pressure, decelerating inflation and higher real growth.

This philosophy underlies the Government's approach in the last eight years, but since the 1980-81 recession, the theory has simply not worked out. Despite unemployment of more than 3m, real earnings have risen at a faster rate than in the late 1970s when unemployment was at 1m. Inflation, meanwhile, is stable rather than declining. The Government, it seems, has seriously misread the labour market mechanisms linking unemployment, pay and inflation.

Three serious misjudgments can be detected in the crucial 1979-82 period, when unemployment rose from 1.15m to nearly 3m.

- In the first place, the Government did not realise how tight its monetary policy was, and so failed to anticipate the exchange rate overshoot, which had disastrous consequences for the tradable goods sector of the economy.
- At the same time, cost pressures were stoked when the Government sent the wrong signals to wage bargainers Rigorous monetary policy was intended to signal the need for pay restraint, but VAT increases in the 1980 budget intensified demand. Between 1979 and the end of 1980, wage costs per unit of manufacturing output rose by 36.6 per cent.
- Underlying both these things was an over-optimistic view of the flexibility of the labour market. "Ministers were being advised that wage bargaining would quite quickly and fully adjust to the Government's commitment to defeat inflation. They believed most of the adjustment would come in wages and prices rather than employment and output, so unemployment would self-correct," says Professor Alan Budd, of the London Business School, a former Treasury adviser.

Set against these criticisms are mitigating factors. The oil price rise was inescapable; and the nine Clegg Commission public sector pay awards were inherited from Labour's "winter of discontent."

Above all, the Government believed that to establish its counter-inflation credibility it had to stick to its policy despite the costs. It argued that wage bargainers would only learn from painful experience that it was within their power to maintain employment through wage restraint, rather than relying on the Government to pump up demand.

Mr Jon Shields, a former Treasury official and now director of the Keynesian-inclined Employment Institute, says of the early policy: "The Conservatives came to power at a difficult time. Manufacturing was overmanned, the oil shock, the world slowdown and wage demands were inescapable. But policy tended to exaggerate these factors rather than mitigate them."

None of this, however, explains why the rise in unemployment has been so sustained.

Keynesian critics of the Government argue that there is a continuing deficiency of demand. But while the Government's policies are hardly Keynesian, they have loosened considerably in the last few years, apparently in recognition of the need for a modified approach.

In the 1986-87 financial year, the public sector financial deficit has been increased to about £12bn; the last Autumn Statement announced a £4½bn increase in public spending; sterling's value has fallen by 26 per cent since late 1982; and last week's Budget sounded the death knell for sterling M3, so long the centrepiece of Government strategy.

These changes ironically, broadly mirror the proposals outlined in 1982 by Mr Peter Shore, then Labour's shadow Chancellor, which were widely ridiculed at the time. Mr Shore argued for: a £5bn increase in the public sector financial deficit then running at £7bn to £8bn; concentration of this fiscal boost on public spending; a drop of 30 per cent in the effective exchange rate; and abolition of domestic monetary targets.

If the explanation of persistent unemployment does not lie primarily in the area of demand, the inescapable conclusion is that the temporary shocks of the 1980s have created structural changes in the labour market, which in turn have left unemployment stuck at a high level.

The most obvious problem is long-term unemployment, which has risen steeply. Because of inadequate training, lack of recent work experience and demotivation, those involved are severely disadvantaged in competing for jobs. They exert little competitive pressure on wages: their lack of up-to-date skills makes them unattractive to employers, and their demoralisation curtails their search for jobs.

But even if they were in a position to compete, these people might have little impact on wage bargaining. "Employed workers—the 'insiders'—are setting wages to maintain their own employment, rather than price the unemployed 'outsiders' back into work," says American economists Olivier Blanchard and Lawrence Summers in a recent paper on UK unemployment. The employed have taken the Government's message to heart: they are pricing themselves into keeping their jobs on the best possible terms.

The lesson Blanchard and Summers draw from the UK's experience is that wage bargainers respond to unemployment only when they are threatened by it rising. So between 1980 and 1982 real earnings went up by only 1 per cent a year. But since then, with stable unemployment — and a lifting of the threat — real earnings have grown by about 3 per cent annually.

Although subcontracting has increased significantly in the past few years, few companies want to incur the considerable costs of redundancy, training and staff turnover by replacing existing workers with lower-paid ones from the dole queue.

As the threat of redundancy has receded, life has returned to normal for most people. The rise in overtime, skill shortages, profitability and house prices has sanctioned a resumption of "normal" pre-1979 pay bargaining.

Indeed the indications are that many companies are choosing to pay their employees well to motivate better performance, as the Confederation of British Industry makes clear in its recent submission to the National Economic Development Council: "Firms have to balance the higher costs of a pay settlement against the enhanced performance it could secure. It is impossible to obtain the best performance from employees through detailed work rules, constant supervision and threat. The only way this can be achieved is by establishing a skilled, motivated workforce."

Some of the effects of this pay and performance spiral can be seen in higher productivity growth, which some companies argue is maintaining low unit costs.

These developments have combined to undermine the logic of the 1970s view of the world. Pay and inflation are not responding to excess supply in the labour market to bring down unemployment.

But there is a more fundamental question: is a government, whose view of the world was shaped by the 1970s, capable of addressing the unemployment problem of the late 1980s?

There has been a battery of measures which attempt to reintegrate the long-term unemployed into the labour market, and to prevent others falling into the trap. The 255,000-place Community Programme offers work experience; the new Job Training Scheme will provide skills tuition and the 110,000 place Enterprise Allowance Scheme fosters the growth of self-employment.

However, these will at best cover only half the long-term unemployed.

"We have to be careful in moving from economic analysis to prescription," says a senior Department of Employment official.

But even a successful range of measures would still leave the Government to face the problem of persistent pay pressure thrown up by those in employment. While it believes that, in general, higher pay leads to lower employment it is hamstrung by three difficulties over this question.

First, where higher pay is motivating better performance and enhanced international competitiveness, it is helping to maintain employment. Secondly, the Conservatives have a clear political stake in the real earnings gains their policies have promoted for the majority in work. Thirdly, the Government eschews the traditional mechanism for controlling pay—incomes policy.

Nevertheless it has accepted some responsibility for encouraging reform of pay bargaining. But the Chancellor's offer of tax incentives for profit-related pay and Mr Kenneth Clarke's attack on national pay bargaining look like having only a modest immediate impact on pay setting.

At root, the Government has underestimated and misread the importance of managers' reactions to their policies, rather than that of workers. For the failure of high unemployment to right itself through promoting disinflation is as much a product of businessmen's decisions about costs, prices and profits as of labour market rigidities.

"Business success in this country seems to be measured by how far you can cut costs on your current output, rather than whether you can drop prices to expand your output," says Professor Budd.

But Professor Budd concludes: "As long as this Government has no policy on pay it really has no policy on unemployment."

It seems the Government believes that with unemployment falling at 24,000 a month since the middle of last year the market is adjusting, but slowly.

But to accept that the economy has got stuck at a "low millions-unemployment equilibrium" implies a need for much more radical action than Mrs Thatcher has been prepared to contemplate. Possible options are to raise or redistribute taxes to finance a full range of special measures or to pay employment subsidies for the long-term unemployed — essentially a form of targeted reflation. There is also a clear need to attack the inflexibilities of the markets for labour and housing, whether that means a different approach to pay determination in the still large public sector, more profit-related pay or the abandonment of entrenched positions on mortgage subsidies.

Britons plunged into the recession together, but it was like a judgment which divided the saved from the damned. The long-term unemployed still bear the burdens of the recession and are unable to claim a share of the benefits of renewed growth. Although evidently concerned about the impact of long-term unemployment, the Government remains wide open to the charge that it is managing rather than resolving Britain's unemployment crisis.

This or any other Government's determination to cut unemployment will be crucially determined by how far they are prepared to shake up the relatively cosy world of the "insiders" for the sake of the "outsiders." Stability is too depressing and too socially divisive a prospect.

THE THATCHER YEARS

	1979	1980	1981	1982	1983	1984	1985	1986
Unemployment '000s	1140	1451	2269	2626	2865	2998	3113	3194
rate in %	4.3%	5.4%	8.5%	9.9%	10.7%	11.1%	11.3%	11.%
Male unemployment %	5.0	6.3	10.1	11.7	12.7	12.9	13.1	13.3
Long-term unemployed (males) '000s	269	269	457	818	903	953	1020	1028
Long-term as % of all unemployed	24.8	22.0	22.0	33.6	36.5	39.8	41.0	41.0
Union density %	58.6	59.2	57.4	58.3	54.4	52.6	50.9	50.0*
RPI % annual change	12.6	16.5	11.2	8.3	4.6	4.9	5.9	3.4
Skill shortages % companies	20	13	2	3	2	7	11	12
Overtime % of operatives in manufacturing	34	29	26	29	31	34	34	34
Weekly average earnings: % annual change	14.5	17.2	12.2	8.9	8.1	5.9	8.1	7.9

Sources: Department of Employment; CBI; Treasury; OECD. * Estimates

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Britain records surprise current account surplus

BY JANET BUSH

BRITAIN recorded its largest current account surplus – £376m – last month since January 1986, reflecting a sharp improvement in exports and a moderation in last year's surge of imports into UK markets.

Yesterday's figures came as a surprise to financial markets which had been gloomily looking for a current account deficit of around £200m. Sterling and UK Government bonds rallied on the news.

Warburg Securities, the securities house, cut its forecast of the 1987 current account deficit by £1bn to £1¾bn on the strength of the figures while economists at Credit Suisse First Boston, among the *most* optimistic, are sticking to their forecast of a £1bn surplus.

Worry about the current account has underlined the Government's caution on lowering interest rates, because of sterling's sensitivity late last year to ever larger deficits.

Yesterday's figures assuage that concern, at least for the time being. A worsening balance of payments trend is still widely forecast later this year, with consumer demand expected to remain strong and the loss of competitiveness due to sterling's recovery since last year likely to feed through.

The authorities are likely to continue closely watching sterling, which remains vulnerable to political worries. After the positive initial reaction to the trade figures, sterling and gilts fell back again on concern about yesterday's opinion poll showing substantial gains for the Social Democratic Party/Liberal Alliance.

February's current account surplus of £376m is the largest since £976m in January 1986. This January's surplus was £73m.

With invisible earnings in February projected at £600m, unchanged from January, the surprise element was a marked improvement in Britain's visible trade performance. The trade deficit fell to £224m in February from £527m in January.

The effects of sterling's sharp devaluation last year, which has helped manufacturing output stage a steady recovery, is now feeding through into Britain's export performance.

The most startling example of the improvement is trade in cars. The volume of car exports in the three months from December to February was 16 per cent higher than in the previous three months, while imports were 20 per cent lower.

January's trade figures were erratic as both exports and imports were hit by bad weather, but imports had suffered considerably more. Independent economists had therefore been looking for a larger bounce-back in imports than exports.

Yesterday's figures showed the reverse. Excluding oil and erratic items, export volume rose by 13 per cent between January and February and import volume increased by only 5.5 per cent.

Taking a three-month comparison gives a better idea of the underlying trend of the balance of payments. In the three months to February, there was a trade deficit of £1.6bn compared with £2.5bn in the previous three months, plainly a substantial improvement.

In London, sterling closed unchanged on the Bank of England's trade weighted index of its value at 72.1 but gilt prices ended about 1 point lower on opinion poll worries.

The dollar was little changed in quiet trading as the market steadied in reaction to co-ordinated central bank intervention in its support earlier this week. Only the Bank of France was rumoured to have been buying dollars yesterday. The dollar closed unchanged at Y149.10.

Living standards rise, Page 9

Money Markets, Page 27

Bank Governor echoes caution

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR ROBIN LEIGH-PEMBERTON, Governor of the Bank of England, yesterday re-affirmed the authorities' cautious approach to cuts in interest rates and rejected suggestions that at present levels the pound was overvalued.

In evidence to the all-party House of Commons Treasury and Civil Service Committee, Mr Leigh-Pemberton said rapid growth in the broad measure of the money supply, and in particular, in bank lending, remained a cause of concern to the Bank.

At the same time, Britain's inflatin – at present running at an underlying rate of about 4 per cent – was near the top of the international league table.

For those reasons the authorities were entitled to "remain very cautious and careful about our monetary policy," the Bank Governor said in response to MPs' questions.

Mr Leigh-Pemberton rejected the suggestion that interest rates – which have fallen by 1 percentage point to 10 per cent this month – should have been allowed to fall faster in response to the pound's recent strong rise on foreign exchange markets.

He told the committee: "I don't think that it is possible to argue that the exchange rate at the moment is too strong", adding that in present circumstances the rate was "very satisfactory."

Relative to the position last autumn, when the pound fell to 68 on its effective exchange rate index, sterling was, if anything, a little weaker because of the increase in the oil price since then.

In the same way that the pound had been allowed to fall in response to the oil price collapse, the authorities expected it to rise in response to a recovery in oil prices, neutralising the inflationary impact of higher fuel costs.

His evidence to the committee echoed recent comments by Mr Nigel Lawson, Chancellor of the Exchequer, that Britain has had a more explicit policy of seeking to stabilise the exchange rate since last month's meeting of major industrial nations in Paris.

Asked by one MP if Britain was now shadowing the European Monetary System he said: "We are operating as if we are in something", but that meant in the context of the Paris accord rather than a more explicit exchange rate mechanism.

The Bank Governor emphasised on several occasions that although there was no longer a formal target for sterling M3, the broad money supply measure, it was still watched closely in deciding policy on interest rates.

With a key component of sterling M3, bank lending, rising by £2.5bn per month, there was a potential risk in the monetary outlook which the Bank could only ignore at its peril.

Trust loses fight against unitisation

By Nikki Tait

A CITY of London row over United States Debenture Corporation (USDC) – at £280m, one of Britain's larger investment trusts – yesterday ended in resounding defeat for the board in its fight to retain the trust's status.

This means that USDC will amost certainly be turned into unit trusts, the biggest unitisation scheme ever undertaken in the UK.

After a 90-minute annual meeting, top institutions overwhelmingly rejected a board motion that USDC remain an investment trust. A show of hands at the meeting had been nearly four-to-one in favour of the motion, but a subsequent poll, which included proxies and block votes, turned that into near-five-to-one split against.

Just over 2m votes were cast against (45 per cent of the total votes available) and 461,000 in favour (10 per cent).

Those opposing the board included the four largest stockholders – the Water Authorities Superannuation Fund, the Prudential, Standard Life, and NatWest Investment Bank. Together they account for more than 30 per cent of the stock units.

After the meeting, a board statement said that proposals offering investors a chance to switch into two unit trusts and/or another investment trust would now be formulated. However, Mr David Hopkinson, the trust's chairman, said that this partial unitisation scheme might take months to draw up.

"They have no idea of the complexities of giving everyone a choice," he said. The unitisation idea was first mooted by the Water Authorities Superannuation Fund which, having doubled its stake in USDC to 12 per cent last October, claimed it had lost faith in the trust's board and management.

For the past three years, USDC has been run by GT, the fund management group. Last summer it became part of a concert party which sucessfully defended another GT-managed fund, Berry Trust, against a bid from Ensign Trust. This, according to the Water Authorities fund, was against the interest of investor in USDC.

Unitisation will allow stockholders to cash in close to net asset value.

Kinnock to tackle US worries over Nato

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, the Labour leader, arrived in the US yesterday and immediately pledged his determination to confront head-on fears within the US Administration that his party's defence policy could lead to the break-up of Nato.

Mr Kinnock, who flew into New York on Concorde, brushed aside the *domestic* controversy surrounding his signature on a petition calling for an end to the US-supported "brutal terrorist war" in Nicaragua, saying he had no regrets and held a different view to the President on American intervention in Central America.

He also denied being caused any embarrassment by the House of Commons motion signed by 24 Labour MPs insisting that there should be no delays in removing cruise missiles from Britain. The party's policy to remove them from British soil would be sustained, he said.

The Labour leader made it clear, in advance of his meeting today with President Ronald Reagan, that although he expects Labour's non-nuclear *defence* strategy to come in for criticism during his short US visit, he intends forcefully to argue Labour's case and to quell concern about a Labour Government's commitment to the Nato alliance.

Mr Kinnock dismissed claims that there was alarm among members of the US Administration about the likely impact of his party's proposals, saying the suggestion "would be under-estimating both their maturity and the degree to which they are open to various suggestions of changes in Alliance policy."

Neil Kinnock: ready for criticism

There had been, for example, growing US support for the Labour-supported strategy of "no first use." He acknowledged, however that "a divergence" of opinions existed.

Remarking on his decision to come to the US to explain a defence policy regarded by many Americans with deep suspicion and extensive reservations, he added: "Ours is not the kind of case you can argue hidden away in the corner. It is much better to be out in the sunshine where everyone can see it."

In a confident performance, he claimed his short session with the President would provide him with sufficient opportunity to spell out Labour defence policy, and said reports of a 15-20 minute meeting represented "an extremely unlikely story."

"Because of previous contacts I have had with President Reagan and members of the US Administration, there will be no trouble in getting the complexities across. We will remain firm and fast friends of Nato, with the dedication of 95 per cent of our defence budget going to Nato purposes," he added.

Mr Kinnock said President Reagan accepted, like the Labour Party, that the quality of conventional forces in Europe should be raised and that this would be accomplished by using the resources saved by the cancellation of Trident.

Speaking to a meeting of leading businessmen and financiers at the American European Community Association, Mr Kinnock *said* he wanted to change what he described as the subordinate relationship between Britain and the US.

He wanted to put it on a healthier and more positive footing and to re-establish "the habit of frankness" which existed before Mrs Margaret Thatcher, Prime Minister, came to office.

Attacking Mrs Thatcher's "special relationship with President Reagan. Mr Kinnock emphasised that he intended to re-establish a "mutually trustful and beneficial relationship" between the two nations.

Election options muddle Tories

BY PETER RIDDELL, POLITICAL EDITOR

TORY MPs remain muddled and uncertain about the choice of general election date after further opinion poll evidence of an advance by the Social Democratic Party (SDP) Liberal Alliance, according to a senior ministerial adviser to Mrs Margaret Thatcher, the Prime Minister.

There is no consensus view among Tory MPs about the date, some favour early and some late, with others changing their minds from day to day.

Among ministers there is no real argument on the issue; it is rather a matter of waiting for the right opportunity to appear.

However, it is recognised by ministers that the rise of the Alliance – to *level-pegging* with Labour according to a Marplan survey – complicates the calculations and makes June less attractive compared with the early autumn. Large numbers of Tory MPs, mainly in the south of England but some in West Yorkshire and Lancashire, have the Alliance as a strong challenger in second place.

Senior ministers were yesterday supporting the attack on the Alliance by Mr Norman Tebbit, the Conservative Party chairman, despite reservations felt by some ministers and MPs that this would be counter-productive.

Faced with the evidence of a fall in Labour support, Mr Roy Hattersley, the party's deputy leader, said last night that he had always believed that, "this would be the month when the Alliance had a surge. Sudden surges of this sort are quickly dissipated. Easy come, easy go," he said.

Dr David Owen, the SDP leader, was last night in ebullient mood in a speech in Brent, north London, to celebrate the sixth birthday of the formation of the party.

He claimed that the SDP had taken "a firm and clear-out" stand on a series of issues such as trade union reform and cruise missiles. Dr Owen went on to argue that the SDP had proposed new directions and ideas on British politics.

Banks to issue code on credit card loans

BANKS who issue Visa credit cards in the UK are soon likely to publish a code of conduct for credit card lending in response to recent concern about the burgeoning of consumer credit, Hugo Dixon writes.

The code will draw up guidelines to determine who gets credit, under what circumstances they get it and what happens if they have problems repaying their debts. The idea is to reassure the public that credit is not being distributed to people indiscriminately.

A group has been working on the code for several weeks under the chairmanship of Mr Peter Ellwood, chief executive of Barclaycard, the UK's largest credit card issuer. Other banks in the group include the TSB, the Co-op Bank, Bank of Scotland and Girobank.

■ PAY SETTLEMENTS in the public sector have begun to match those in the private sector after the Government dropped its practice of setting an annual pay provision figure for its own employees, according to a report by the Income data services research group.

■ BARCLAYS BANK is to extend the opening hours of some of its branches by up 1½ hours for a trial four-month period. The branches, at selected locations in the south east of England, will open at 9.15 instead of 9.30 am, and remain open until either 4.30 or 4.45, instead of 3.30pm. The trial is a continuation of the trend towards longer bank opening hours which began with Saturday re-opening.

■ STC, the UK electronic components group, claimed it had won the contract for the longest unboosted undersea optical fibre communications cable – a £5.7m link between Dartmouth in Devonshire and Guernsey in the Channel Isles.

■ DEPARTMENT of Energy released new figures suggesting that production of oil from the North Sea has passed its peak. Output of crude from British oilfields between November and January totalled 216m barrels, 6.3 per cent less than the same period a year earlier.

■ APRICOT, the Birmingham-based computer manufacturer, took a further step in its diversification programme with the £2m acquisition of Digital Micro Systems, a specialist in electronic network systems.

Thatcher warns Japan against blocking C & W

BY IVOR OWEN

Mrs Margaret Thatcher

JAPAN was warned by Mrs Margaret Thatcher, the Prime Minister, in the House of Commons yesterday that the scope given to Cable & Wireless (C&W) to break into its telecommunications market will determine the future of British-Japanese trade relations.

For the second day in succession both sides of the House were united in condemning the persistent placing of obstacles in the way of British companies which last year resulted in the UK having a £3.7bn balance of trade deficit with Japan.

To government cheers, Mrs Thatcher stressed that Japan's treatment of the bid made by C & W would be regarded as a "test case" in establishing how open the Japanese market really was.

C & W had a 20 per cent stake in a consortium, bidding for an international telecommunications contract in Japan. The consortium merged with its sole rival, cutting C & W out of the infrastructure work and leaving it with a 3 per cent stake.

Without drawing a direct parallel with the position of C & W, Mrs Thatcher underlined the need for reciprocity by pointing out that power would soon be available to the Government under the Financial Services Act and the Banking Bill, enabling it to take ation "where other countries do not offer the same full access to financial services as we do."

Labour MPs were openly sceptical about the Government's determination to exert adequate pressure on Japan and they jeered Mrs Thatcher when she confirmed that she was still awaiting a reply to the letter she wrote to Mr Nakasone, the Japanese Prime Minister, on March 4 telling him of the Government's interest in the outcome of the bid made by C & W.

Mr John Smith, Labour's trade and industry spokesman, developed this line of attack in a letter to Mrs Thatcher in which he recalled speeches she made in November and December last year insisting that genuine free trade must be a two-way business.

Despite that, several months had elapsed before she wrote to Mr Nakasone and he urged the Prime Minister to demonstrate the Government's determination to take effective action by announcing that consideration was being given to preventing any Japanese purchase of shares in British Petroleum.

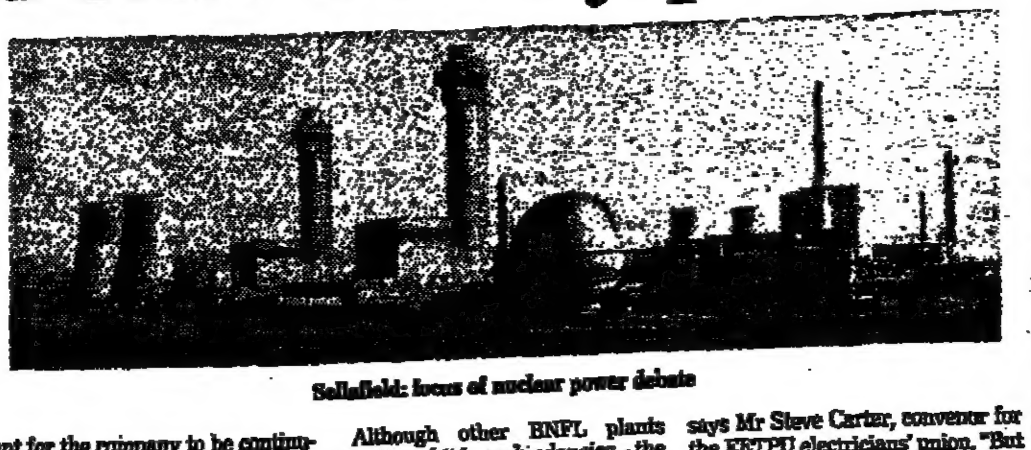
Mr Smith told her, "That might at least be an intimation of awakening resolve."

In earlier exchanges in the Commons, Mr Nigel Lawson, the Chancellor of the Exchequer, joined in the condemnation of Japan's failure to provide reciprocity in trading opportunities.

While suggesting that a final decision had yet to be made, he maintained that "shutting out Cable & Wireless from an important contract is unacceptable". Mr Michael Grylls, chairman of the Conservative backbench trade and industry committee, Sir Dudley Smith and Mr Andrew MacKay registered the concern on the Government benches by pressing for a debate on trade with Japan.

Philip Bassett reports on Britain's biggest nuclear plant

Sellafield feels scrutiny pressure



Sellafield: focus of nuclear power debate

SELLAFIELD, British Nuclear Fuel's atomic reprocessing works in Cumbria, north-west England, is probably Britain's most controversial industrial plant – at once the *cause and the focus of much of* the argument raging around the issue of nuclear power.

But Sellafield is significant, too, in industrial relations terms. *At a* time when a *large* company now can be one employing more than 500, Sellafield is massive: 11,600 people work on its 500 acres on the Lake District's coastline.

While many establishments have cut their numbers, employment at Sellafield is growing, and while capitalisation of new equipment can be low, money for new plant at Sellafield *is enormous: from* 1985, stretching into the 1990s, more than £4040m is to be spent.

Employee relations at the site *have been far from smooth.* "In the mid 1970s it was an absolute night*mare in industrial relations terms,*" says Mr Peter Woolley, Sellafield's *personnel director.* "We had an abysmal IR record in terms of disputes."

Now, the position is different; as *one manager at the site says,* "there is a common threat." The 'threat' is *twofold: the intense public scrutiny* – official and unofficial – of the *site's performance and safety,* especially over the last two years, and the notable competitive sharpening in the energy industry following the *drop* in coal and oil prices.

The first 'threat' has had a direct industrial relations effect: "We won't go out of the gates now – it *would damage* the industry," says Mr Tommy Taylor, a Sellafield painter and *convenor at the site for* the construction union Ucatt. "If we go *outside*, we would get hammered. So if we have problems, we have to deal with them *on site.*"

The second – costs – never used to be a *factor, according to both* managers and shop stewards. Now *they are: "BNFL is a commercial* enterprise just like any other," says Mr Christopher Harding, the company's chairman.

"We shall best retain and expand our business if we ensure that we offer quality products and services at a fully competitive price. Thus in all areas of our business it is impor*tant for the company* to be continually examining the costs and economics *of doing that business.*"

But because safety and technical standards are so rigorous and immutable, there are few saving to be made in capital costs. That leaves the option of operational costs – principally employment.

These factors have combined to produce a level of insecurity novel in the plant's history. Large parts of the capital investment are aimed at further improving the plant's safety record, and its new policy of public openness is designed to increase public confidence.

Working at Sellafield is still better than most other work in the local area of Copeland. Currently the plant employs 43 per cent of Copeland's employed workforce in an area with above average unemployment of 12.3 per cent.

Average annual earnings, according to BNFL, are £13,000 – 30 per cent above the national average and 53 per cent higher than the average for the north-west region.

But in employment terms, the new insecurity has ended the feeling that working at Sellafield is a lifetime, gilt-edged job which can be passed on to sons and daughters.

What is happening at Sellafield is equivalent to the jobshock which hit much of British industry in the recession, accelerated by a recent nuclear inspectorate report which is truncating planned longer-term engineering changes into a 12-month timetable. The oddity – perhaps unique to it – is that it is coinciding with continuing employment *growth*, rather than reduction.

Although other BNFL plants have been hit by redundancies – the fuel manufacture plant at Springfields, near Preston, and the enrichment plant at Capenhurst, near Chester – employment in the company continues to grow because of the increase at Sellafield: 600 new jobs in the last 10 months, 124 *new* apprentices since September, perhaps a rise on present levels of a quarter in overall permanent job numbers by early in the next decade.

And, although it's a job which many employers in industry might relish, those at Sellafield say that managing that is not easy.

"Our job is to try and see that this projected increase doesn't run out *of control,*" says Mr Woolley. "We need to get the best working prac*tices we can. A lot of companies* are doing that to reduce numbers; we *are doing it to control expansion.*"

To do that, the company is cur*rently instituting a new* 'good housekeeping' drive, called effective resource management, which the unions say is aimed at achieving savings of £2m – not large, but it would help improve last year's profit from Sellafield of £34m.

More radically, the company is considering moves towards greater workforce flexibility. Although now commonplace throughout industry, flexibility on a nuclear site, where safety governs all and especially employer relations – about 10 per cent of all Sellafield's employees are *directly* concerned with safety matters – poses particular problems.

"Some of our working practices aren't advantageous to our people," says Mr Steve Carter, convenor for the EETPU electricians' union. "But we will not give them up at the expense of safety.

"If you do a 5–10 week course to do another trade's job, I don't believe you can get to the required safety standards."

The unions – eight in all at the site – bargain nationally over pay and conditions, with only allowances (previously 200 in all, and a source of great instability until six years of negotiation reduced them to three in 1985) settled at site level.

But they are an important mechanism of communication, consultation and agreement at the plant, although the company is supplementing the union channel with other initiatives from newer industrial relations practice, including quality circles, team briefing and employee attitude surveys.

They will help Sellafield to grapple with problems other companies have faced (although Sellafield has many unique to itself, too), but which few have faced on such a scale.

"We are in a painful process," says Mr Woolley. "The company is under pressure," says Mr Bill Maxwell, convenor of the site's largest union, the GMBU general workers. "We must be competitive."

Although he says he believes pressures, especially on cost, would be only short-term, Mr Maxwell says unions and management alike do not underestimate the scale of the industry's difficulties and the changes which may be necessary to ease them: "The fight is on to retain the nuclear industry until the time it can be economic again."

BTI to introduce phone system for airline passengers

BY TERRY DODSWORTH

A REVOLUTIONARY telephone system which will allow airline passengers to make a call from mid-Atlantic to anywhere in the world is due to be launched next year by British Telecom International (BTI).

The service will be the first to use satellites to provide a telephone link between commercial airliners and land-based telecommunications networks. Eventually, BTI aims to move *towards* global coverage for the service in collaboration with the telecommunications authorities in Norway and Singapore.

Some US airlines have already installed telephones on their aircraft for passenger use, but these are suitable only for use over land, because they link up to terrestrial systems.

Taking this technology one step further, BTI has come together with two other UK companies, Racal-Decca and British Airways, to design a system which uses a special antenna to transmit signals to a satellite.

In-flight tests are due to start in October using a private executive aircraft, with passenger trials scheduled for next spring, and the full service by December [illegible].

No prices have been established as yet, but it is expected that the system could be operated at charges of around £5 a minute by credit card only.

BTI said yesterday that it was in commercial discussions with a number of airlines over the introduction of the system.

Workers seek talks on Caterpillar occupation

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

CATERPILLAR workers, who are under an injunction to end their illegal occupation of the company's tractor plant at Uddingston, near Glasgow, said yesterday that they wanted *negotiations* with the management before they would leave the plant.

Stewards at the plant, who have been leading an occupation of the facility since Caterpillar announced 10 weeks ago that it was to close it within a year, yesterday postponed until Monday a mass meeting to discuss how to respond to the court order, which was granted by the Court of Session in Edinburgh on Wednesday.

Mr John Brannan, the leader of the occupation, said that the men wanted to discuss with Caterpillar the possibility of keeping the plant open and of finding an alternative employer to operate it as a tractor and spare part making factory.

Warning of AIDS legal fights under industrial relations law

BY JIMMY BURNS, LABOUR STAFF

AIDS DISEASE may produce a series of legal battles under existing industrial relations legislation, an employment law specialist warned yesterday.

Mr Terry Munyard, a barrister, told the first conference aimed at heightening employers' awareness of the AIDS virus at work that male AIDS carriers could appeal before industrial tribunals on the grounds of unfair dismissal under the Sex Discrimination Act.

Some employees with AIDS *might not be prepared to make such* a public statement. It is understood *that an employee recently decided* not to follow such a course of action because of the fear of adverse publicity.

Mr Munyard told the conference, sponsored by the Washington-based Bureau of National Affairs, the world's largest private publisher of labour information, that an employee would have strong grounds to appeal against a dismissal under the 1978 Employment Act if his employer had acted under pressure from his workforce.

He noted that two key court rulings since 1980 had established a precedent for "reasonable dismissal" on the grounds of the employee being judged to be a potential risk to customers.

He also reminded the conference that under existing law, an employer was free to recruit who ever he wanted, and was under no legal obligation not to impose compulsory screening.

Mr John Lee, a Department of Employment minister, said that there was no necessity for employers to treat individuals who were or who might be infected with the AIDS virus any differently from other employees or potential recruits.

Reinforcing the Government's official guidelines on AIDS, Mr Lee emphasised that although the virus could be transmitted through pregnancy, sexual intercourse, and blood contact, it could not be passed through casual contact at the workplace.

"Most employees ... are not at risk from sharing facilities with or working alongside an infected person", Mr Lee said. Some occupations, such as the health care sector, required special guidance to its workers.

But Mr Lee added that even this guidance "simply reinforces good hygiene practice, since many of standard precautions in use are equally effective against the AIDS virus."

The main emphasis of Mr Lee's speech, was on the need for accurate information to counter unnecessary discrimination.

Company policy should make it clear that an employee who became a victim of AIDS should be treated no differently than someone who contracted any other serious illness. At the same time, Mr Lee said, shop *stewards* should take a more direct role than they have un*til now in reinforcing the non-discriminatory* stance adopted by a grow*ing number of unions.*

"The message has not always reached the shop steward level . . . so it would be as well to include that first, and make union officials your first target audience," Mr Lee told the conference.

● Trade unions should oppose compulsory screening and dismissal of suspected or actual AIDS victims, the National Union of Employees (Nupe) said yesterday.

In a booklet called "AIDS: A Trade Union issue", the 650,000 strong Nupe said that there had been a recent case in which a London local authority had offered a homosexual a job on condition that he underwent a medical examination.

There had also been cases of employers *attempting* to *suspend* or dismiss people with AIDS or who had had a positive result from the HIV antibody test.

"AIDS: A Trade Union issue". Nupe, 20 Grand Depot Road, London SE 18; Price £1.)

Licence ruling for video game operators

By Raymond Hughes, Law Courts Correspondent

THOUSANDS of leisure centres, amusement arcades, public houses and other premises where coin operated video games are played will have to obtain licences under the Cinematograph Acts and comply with fire and other regulations as a result of an Appeal Court ruling yesterday.

By a 2–1 majority the court decided that a video game is an "exhibition of moving pictures" covered by the acts. They dismissed an appeal by the British Amusement Catering Trades Association (Bacta) and one of its members, First Leisure Corporation, which operates an amusement arcade in London.

The companies argued that there could be only an "exhibition" where what was shown on the screen had been conceived in advance as an end in itself, where the viewer's function was exclusively receptive.

Rejecting that view, Lord Justice Balcombe said he could not accept that "exhibition" assumed a passive recipient. The dictionary definition *of "exhibition"* was "the action of exhibiting, submitting for inspection, displaying or holding up for view." That, the judge said, exactly *fitted what happened* to the *moving* pictures in a video game.

Lord Justice Slade agreed, but Lord Justice Nourse dissented. Bacta and First Leisure said they would challenge the ruling in the *House of Lords.*

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Rising spending reflects higher living standards

BY JANET BUSH

BRITISH living standards rose sharply last year as inflation remained relatively low and earnings increased at a healthy pace.

Last year's news on company profits was mixed with sharp falls in the profits of North Sea oil companies due to the collapse of the oil price but healthy gains for other types of company.

According to figures published yesterday by the Central Statistical Office (CSO) real personal disposable income rose by about 4.5 per cent last year, a rise which was reflected in the buoyancy of consumer spending.

Spending rose by more than disposable income, leading to a slight fall in the savings ratio to 11 per cent last year from 11.4 per cent in 1985. One reason for this is that with lower inflation, households had needed to make less provision for the erosion of past savings.

The CSO's estimate of the rise in real disposable income in 1986 is slightly higher than the figure of 4 per cent included in the Budget Red Book. In the fourth quarter, real disposable income rose by about 1 per cent from the previous quarter.

In the Budget, the Chancellor of the Exchequer predicted that real disposable income would rise by around 3.5 per cent this year, reflecting some narrowing of the gap between earnings growth and inflation.

Given the income tax cuts announced in the Budget and still relatively high wage demands, it seems likely that a large part of this narrowing will come from higher inflation.

Separate figures released yesterday by the CSO show that overall company profits fell by about 7½ per cent in 1986 compared with the previous year, a fall more than accounted for by the reduction in North Sea oil companies' profits, which were less than half of those in either 1984 or 1985.

The trading profits of non-North Sea industrial and commercial companies were about 14 per cent higher than in 1985.

Peter Marsh outlines the problems high-technology success has brought to a peaceful university town

Cambridge feels the strain of rapid growth

MRS ANNE RAYMAN has spent the past few months hunting for houses in the Cambridge area, in the east of England, so far without success. She has found few four-bedroomed houses selling for less than £100,000 and demand for schooling is so high that finding schools for her three children is "a real problem."

The difficulties of Mrs Rayman, who lives in nearby Ipswich and plans to move to Cambridge later this year with her husband, a hospital doctor, illustrates some of the growth pressures facing the city.

In little more than a decade, Cambridge has become one of Britain's most rapidly expanding areas, largely because of the emergence of fast-growing, high-technology companies.

The area has about 400 such concerns, most of them set up in the past 10 years. Further expansion has come from big companies establishing research bases. The latest of these is General Electric Company (GEC), Britain's biggest electrical and electronics company, which announced this week plans for a £10m laboratory, housing 600 people within three years, on the city's science park.

According to Cambridgeshire County Council, which will discuss the growth pressures today at a special meeting to ratify the county's structure plan, the population of Cambridge and its immediate surroundings has shot up by 17,000 within the past decade, to 210,000. The council projects a further 20,000 people by the end of the century.

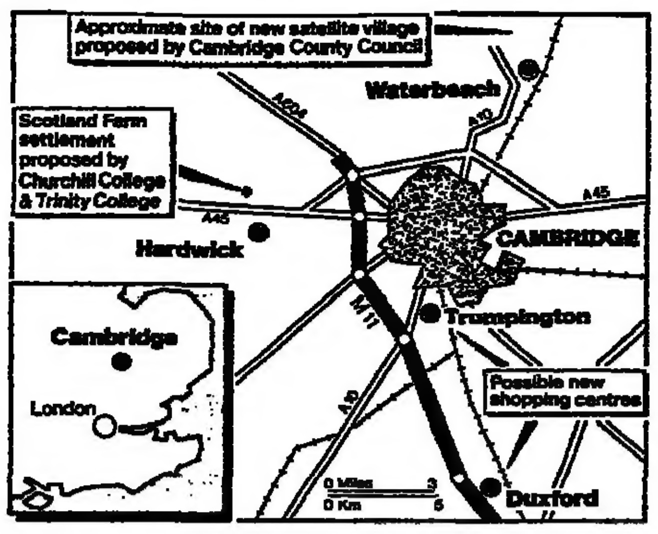
The growth, which has put under strain both the peaceful ambience of the city and the physical fabric of its centuries-old university buildings, has posed an awkward dilemma.

There are fears that unless something is done to curb the influx of outsiders, Cambridge's attractiveness, one of the reasons for the expansion in the first place, may soon diminish.

These fears have emerged in the debate over the structure plan, a central element of which aims to relieve some of the housing pressure by providing for a new settlement of 2,500 houses, built to the north of Cambridge near the existing village of Waterbeach.

The scheme is a compromise. Some onlookers have suggested that two new villages are required if Cambridge is not to suffer an acute housing shortage in the next decade, with a subsequent even faster increase in house prices, which are already near to London levels.

Developers are keener to build these satellite villages to the south and west of Cambridge than the north. They say that these areas are where most people prefer to live – on the grounds of nearness to the M11 motorway and access to London.



Mr Clive Thompson, the county council's land-use planning officer, said, however, that new settlements in the south could cause "an explosion" of growth, by sucking in new people who might otherwise have stayed away from the area.

House builders have eyed Cambridge with a healthy interest. The county council has received no fewer than 15 proposals for constructing satellite villages of one form or another, with some of Britain's leading house builders, including Bryant, Wilcon and Countryside Properties, keeping a close watch on what the structure plan may allow.

One of the proposals, which will be ruled out if the draft plan is approved, involves the construction of 3,000 houses, with an associated country park, on 390 acres of land at Scotland Farm. This is to the west of the city, near the M11 and the village of Hardwick. The scheme is backed by two of Cambridge University's colleges, Trinity and Churchill, which would build roads and sewers, inviting developers to put up the houses.

Mr Chris Buxton, a partner in Bidwells, a local property company which is promoting the scheme, said he was disappointed the project was not included in the draft plan.

The scheme's backers are to press for its inclusion during the structure plan's public examination, due in October, prior to formal consideration by Mr Nicholas Ridley, the Environment Secretary.

Shopping is also an issue. The centre of Cambridge is becoming increasingly congested. Mrs Kate Grant, a director of Nine Tiles, a small electronics company based in a converted dairy at Waterbeach, says she rarely ventures into the city for shopping because of the parking problems.

Retailers are considering sites for satellite shopping centres around Cambridge. Marks and Spencer and Tesco have discussed one such development at Trumpington. Another possibility is a new retailing centre at Duxford, which Grosvenor Estates has proposed.

Overriding all these issues is the question of what the future holds for the Cambridge high-tech companies, many of which are small and are at the point of requiring new infusions of managerial and financial resources.

Mr Bill Wicksteed, a partner in Segal Quince Wicksteed, a Cambridge consultancy, says that for these companies to grow it will be essential to provide new housing and other types of infrastructure such as better roads.

"We are still in the process of turning Cambridge from a technological community to a business community," says Mr Wicksteed.

The small companies themselves are mainly in favour of further expansion. Mr Jack Lang, founder of Topexpress, a successful Cambridge computer company, who has just left to start Perihelion, a new electronics concern, says that the expansion could easily run out of steam. "Cambridge is in danger of choking itself."

The growth pressures are already pushing new companies outside the city boundaries. Mr Michael Walker, founder of Walker Laboratories, which makes diagnostic kits for hospitals, considered setting up in Cambridge but found rents and house prices too high.

He set up instead in a new business park at Ely, 15 miles to the north of Cambridge. The rent for his premises is £1.50 a square foot, as opposed to the £9 a square foot he was quoted in the university city.

Mr Walker says that Ely is delightfully quiet – sometimes a little too quiet. A little ruefully, Mr Walker says he may be missing out on striking up contacts in the high-tech fraternity in the hustle and bustle of Cambridge.

More vehicles imported

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A SHARP rise in the number of imported cars on UK roads is shown in the latest annual vehicle census from the Department of Transport. But the number of company cars has remained static.

Half the cars licensed in the UK are imports, according to the census. Since 1980, when estimates were first available, the proportion of imported cars has risen from 33 per cent.

The latest census counted 17.4m cars at year-end 1986, a 3 per cent rise from 1985, a year in which there was a similar increase.

Included in last year's total were 2m cars, or 12 per cent, registered under a company address, the same as in the 1985 census.

The number of motorcycles, scooters and mopeds fell by 7 per cent to 1.07m in 1986, continuing the sharp contraction which began in 1983. The department points out this reflects the substantial drop in new registrations since 1980.

Government urged to privatise railways

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

PRESSURE on the Government to include privatisation of British Rail as part of its future policy is stepped up today with the publication of a detailed report by the right-wing Adam Smith Institute.

The report, The Right Lines, takes the form of a step-by-step guide to a reform which it describes as radical, but easily achievable.

The central proposal is that BR's track, stations and other infrastructure should be grouped together in a single unit which could be floated on the stock exchange along the lines of British Telecom.

The corporation's operating subsidies would be sold seperately to private companies, worker buy-out consortia, or to the public through share issues.

The report says the operating companies should be exposed to competition from new companies operating competing services over the same track.

This could mean competing commuter and long-distance passenger services, but would be more likely to lead to competition in the profitable freight sector. Ancillary services such as catering, cleaning and maintenance would also be likely to face competition.

The report says privatisation along these lines could be achieved without disruption, and would improve reliability, regularity, and travelling conditions.

The Government has denied rumours that plans are being drawn up for the privatisation of BR's mainstream activities, although ministers are known to have considered the disposal of British Rail Engineering, the rolling stock builder.

A more radical shake-up along the lines advocated by the institute is known to have some support among Conservative MPs, but it would be strongly resisted by the opposition and the rail unions.

Adam Smith Institute, Box 316 London SW1P 3DJ; £8.

Airlines urged to rethink

By Michael Donne

THE NEED for "radical and constructive" thinking by the European airlines in preparation for 1992, when it is intended that there should be a single internal market for air transport within the EEC, was stressed in London yesterday by Mr Michael Spicer, Minister for Aviation.

Welcoming the decision earlier this week in Brussels by aviation ministers to accept plans for cheaper fares, subject to final agreement by the Council of Aviation Ministers on June 9, Mr Spicer said that much remained to be done before European air transport could be liberalised in the way the UK desired.

"Having welcomed the progress on fares, I must say how depressing and extraordinary it is that some countries seem to want to move backwards on the more flexible arrangements we had agreed for airlines to mount extra capacity and new services.

"On the latter, the so-called 'access question' in particular, attempts by France, Denmark and Greece to remove most or all of the significant airports from the proposed liberalisation of hub-to-region routes, shows that these countries still have not really grasped the need for change.

"They must do so, and must come forward with more constructive ideas if the major effort the rest of us will be putting into the next three months is to succeed."

Mr Spicer added: "There is no doubt that greater competition will lead to greater efficiency, lower air fares and to a greatly expanding aviation industry.

"This may explain why one or two major European airlines which have traditionally been highly restrictionist and have successfully pressed their governments to protect their position, are now having very radical changes of thought."

Overseas construction contracts decline

BY PETER MONTAGNON, WORLD TRADE EDITOR

INTERNATIONAL contracts won by British building and civil engineering companies slumped to £1.8bn in the year to March 1986 from £2.4bn previously, according to figures released by the British Overseas Trade Board (BOTB).

The figures provide one of the first indications of the degree to which the slump in developing country project business has affected UK industry, but the BOTB said in its annual report that British contractors also lost some ground to French and Italian competitors.

The BOTB also said that UK companies were not making enough use of the scope available for them to participate in World Bank-finance contracts in the developing world. In the year to June 1986, UK orders for such projects were only $71.7m.

"The strike rate in contracts for which UK companies bid is rather good. The problem is that we don't bid for enough of them," Mr Christopher Roberts, BOTB chief executive said.

The BOTB report said exports of manufactured goods rose to £54.5bn in calendar 1986, an increase of 4 per cent in value and 3 per cent in volume.

Although modest by the standards of recent years, the increase reflects the general slowdown in world trade and implies that the UK held its world market share in volume terms, even though the depreciation of sterling during the year may have meant a modest decline in market share by value.

The main growth in manufactured exports came in consumer goods other than passenger cars, while particularly sharp increases were recorded in exports to Germany and Japan, with gains in value of non-oil exports of 11 and 13 per cent respectively.

Exports to the EEC accounted for 46 per cent of UK non-oil exports compared with 43 per cent in 1985.

Exports of services rose 4 per cent by value and 0.5 per cent by volume to £25bn last year, with the modest growth reflecting a fall in earnings from tourism and civil engineering as a result of US fears of terrorism. Exports of financial, consultancy and other services, however, rose by 11 per cent.

AUSTRALIAN PROPERTY

Chris Sherwell on an Australian immigrant's climb to fame and fortune

Lowy takes Westfield to the top

THIRTY-THREE years ago Mr Frank Lowy, a Czech emigrant, was running a small delicatessen in an underdeeveloped western suburb of Sydney called Blacktown.

Last month, as Australia's media scramble reached a decisive stage, he was the surprise key player in an A$842m (US$585m) takeover of Mr Rupert Murdoch's Channel Ten television stations in Sydney and Melbourne.

How Mr Lowy's Westfield group came to be one of Australia's largest companies is a classic tale of an immigrant's climb to fame and fortune in his new country.

Westfield Holdings, the principal company, is now Australia's biggest shopping centre operator and, following last year's US$390m purchase of three Macy's centres, one of the larger foreign property owners in the US.

Its activities cover 18 shopping centres in Australia, half of them owned through the quoted Westfield Trust, and eight in the US. There are practically no vacancies, and strong demand continues for its existing retail centres and those under construction.

The group's other main public arm is Westfield Capital Corporation. Launched last year, it is 50 per cent-owned by Westfield Holdings. The group already has investments in property, industry, resources and, now, the media.

The formation of Westfield Capital reflects a move by the group to diversify its interests, and is already seen by Mr Lowy and the market as a success.

The latest phase in the evolution of the group is a long way from the days when Mr Lowy and his partner of 30 year, Hungarian-born Mr John Saunders, decided to start their delicatessen in Blacktown.

The two men began by renting a shop in a small block with some unused land behind. The western suburbs were expanding rapidly under the weight of post-war immigration, and within a year the two men started a second shop in the same block.

It soon became clear that better opportunities lay in property, so they tried residential development, subdividing a big acreage of land into lots which were then sold.

But the real breakthrough came as the suburb grew and mass car ownship caught on. From the US emerged the idea of suburban shopping centres with parking facilities.

In 1956 the two men set up the company named Westfield—a romantic allusion to the western suburbs and the land behind their shops which they had decided to develop. They built a department store and 15 shops with spaces for 40 to 50 cars. In the expansion which followed, a shortage of working capital forced them to go public. During the 1960s they built at least one shopping centre each year, sometimes two.

Because dependable builders were scarce, they started their own design team and construction business, and then leased the space themselves. They even built stores for other retailers on a turnkey basis.

As a variation they tried a motel and other types of development. But, says Mr Lowy, they became "consumed" by shopping centres. Helped by Australia's economic boom, they built up a rare expertise.

As manager and developer, the company promoted the centre itself, and sought to make its atmosphere conducive to shopping—or, more accurately, spending. As a result Mr Lowry and Mr Saunders can justifiably claim that they brought shopping to the Australian public and made it a more pleasant activity. In the process they also pleased the investors.

By the 1970s, however, they were uncertain where to head next—until the Government relaxed regulations governing investment overseas.

It took three year s of meticulous searching, but in 1976 they found an established shopping centre in the US which they wanted to buy and improve. It was in Connecticut, and had come on to the market because its owner had died. It cost US$21m.

Within 18 months the 60 tenancies had expanded to 100 and turnover had grown from US$60m to US$100m. The strategy—finding the right location and the right centre and then improving it all by themselves—worked.

They promptly purchased a second 20 miles away, but because of limited resources brought in a partner who has since been bought out. A third centre was picked up in Detroit in 1980.

The fourth, in west Los Angeles, was different. For the first time in the US, Westfield bought a site, demolished it and built a centre from the ground up. It opened in 1985.

Czech-born Mr Frank Lowy (right) has come a long way from running a delicatessen 33 years ago in an underdeveloped Sydney suburb. He has built up one of Australia's largest companies with interests in property, industry, resources and, after an A$842m takeover last month, the media

By 1982 retail sales in Westfield shopping centres in Australia were topping A$1bn for the first time. As this proceeded, the question of diversification inevitably arose.

In the early 1980s, when the price of gold and of oil was hitting the roof, the two men decided to take equity positions in other economic sectors. They began with resources.

Westfield joined a consortium with BP Australia to mine for coal in Queensland, and then another venture which owned Thiess construction company. Two years later, it sold its 50 per cent interest in Thiess and made an A$10.7m profit. Mr Lowy's appetite was whetted. In 1984 Westfield took a 10 per cent stake in Bridge Oil and, with Bridge, bought a 25 per cent interest in a pipeline.

Then came the real spur to the formation of Westfield Capital — the fight to take over Grace Brothers, a prominent Australian department store. Because of its dependence on the retail trade, Westfield bought into Grace Brothers in order to have a seat at the negotiating table.

Instead, a series of moves carried Westfield beyond Grace Brothers, first into the Myer retail group and then, following Myer's merger last year with the G. J. Coles group, on to the board of Coles Myer, now one of the world's largest retail groups.

By this time it was clear that Westfield, if it wanted to remain predominantly a shopping centre operation, would have to create a separate vehicle for its other diverse interests.

Westfield Capital was the result.

Since the flotation last year, Westfield Capital has maintained an 11 per cent stake in Bridge Oil, increased its stake in Coles Myer to 6 per cent, acquired a 20 per cent holding in ACI, the packaging and building products group, and purchased a 20 per cent stake in National Properties.

It has also acquired 20 per cent of Northern Star Holdings, the media group, a foresighted purchase which subsequently became the basis for Westfield Capital's A$842m acquisition of Mr Murdoch's television interests.

In a complex deal, these are now being placed in Northern Star, and Westfield's stake in the company will in turn rise to 45 per cent.

As part of the arrangement, a quarter of the television interest is also being sold off. Of this, 15 per cent will be held by Mr Murdoch, who will thereby retain a stake in his old channels at the maximum allowable level for a foreigner.

According to Westfield Capital, shareholders' funds will stand at A$500m as a result of these changes (compared with A$295m at the end of 1986).

Interim results from Westfield Holdings for the six months to December, meanwhile, point to another encouraging result for the full year. Operating revenues were up 85 per cent to A$171m, and net profits were 79 per cen thigher at A$9.6m.

After all this, Mr Lowy now feels it is time to take more of a back seat. Accordingly, he and Mr Saunders will relinquish the joint managing directorship in favour of Mr David Lowy, Mr Lowy's 33-year-old son.

Mr Lowy will remain as executive chairman

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1986

"United Newspapers' consolidated profit before tax in the year ended 31 December 1986 was £56.6 million (1985: £34.9 million).

The directors recommend payment of a final dividend of 10.5p making a total for the year of 16.5p (1985: 16.0p). The directors feel that this modest increase is prudent in the context of the earnings per share in 1986 of 25.3p (1985: 27.2p), the future capital requirements at Express Newspapers and the need to increase dividend cover to a more generally acceptable level.

The many excellent trading performances in the year included those of United Provincial Newspapers and Link House, where significant growth in both of these mature businesses has been achieved. Trading performance of some business magazines was dull in trying market conditions in the United Kingdom and the United States, though there were strong performances by individual titles.

In the United States, our news transmission company PR Newswire improved dollar profits by a third. Miller Freeman Publications, our west coast magazine company, increased its dollar profits by 85 per cent. On the east coast, Gralla Publications, maintained its profits of the previous two years.

The absorption of the Fleet companies was completed early in 1986.

The Daily Express, the Sunday Express and The Star formed a national newspaper division and Morgan-Grampian became the division operating business magazines and exhibitions in the United Kingdom.

The departure of 2,127 regular employees and the elimination of 1,628 casual shifts at Express Newspapers was negotiated and completed according to plan.

An indication of the commitment to United Newspapers in the United Kingdom, and one which demonstrates the confidence individual staffs have in their company, is that 33 per cent of them now regularly make savings with the company's SAYE share option scheme.

I thank all the directors and employees for their hard work and efforts in 1986.

The future holds many opportunities. I view it with confidence."

David R Stevens

Chairman
United Newspapers plc

Extracts from chairman's statement report and accounts 1986

INDUSTRIAL DEVELOPMENT

Sustained recovery highlights high tech problems

STRONG opinions are surfacing about the shape of things to come in Britain's renascent industrial property market. There are external and internal pressures on supply, rents and investment values; in the south east, these pressures are immediate, rather than prospective.

The background is one of sustained recovery in demand. Leading agents King & Co calculated at the end of January that vacant factory, warehouse and high tech property in England and Wales had fallen to 102.29m sq ft at mid-December 1986, a drop of 19.2 per cent from the figure a year earlier.

The total had declined fairly steadily from 177.61m in April, 1983. Of the latest figures, senior partner Douglas King observed that the south east of England had shown a drop of nearly a fifth in just four months.

This is where the external pressures come in. In January, Mr King said that the absorption of industrial land by residential and out of town retail development over the previous three years was beginning to affect supply and demand.

Flexible space

Internally, the market was faced in the same three years, 1984 through 1986, with the high tech development boom which was conceived and realised mostly to the west of London.

This constrained the supply of land within the industrial sector. High tech became high fashion since it did not escape developers that this type of flexible business space, embracing office, research and development, assembly, storage and other uses, would often allow them to charge twice the rent they would have achieved on a standard shed.

Accordingly, as enthusiasm mounted, some prospective developers doubled the price they were to pay for industrial land, and drastically reduced their own manoeuvrability.

This has shown through in some of the resulting developments. The optimum high tech building would be prominently located; a quality product; have excellent parking; ease of access and egress; and a good environment, including landscaping and planting.

In fact, some so-called high-tech has been on densely developed backland, in buildings perjoratively titled "the tin pavilions," infill development in run-down industrial territory, skimping on car parking and other amenities.

There has been a wave of reaction against the shoddier aspects of the high tech "revolution."

Meanwhile, the standard warehouse / industrial shed, darling of institutional investors in the late 1970s when they failed to equate high yield with downside risk, was subsequently unwanted in the years of economic recession.

Along with its "mid-tech" variant—usually composed of a big shed at the rear, and a 25 to 30 per cent office content at the front—it was virtually forgotten in the early years of economic recovery.

Now, agents and other professionals are finding that there is much high tech either built or in the development pipeline, while the demand for it has not been up to expectations.

They say that the standard shed has staged a recovery in demand, some of them that mid-tech is performing likewise. They want these, less expensive forms of business property to get more encouragement at political level.

This may be easier said than done. Take the case of Basingstoke, the thriving M3 town in north east Hampshire where Andrew Newman, a partner in the local office of agents, L. S. Vail, maintains that developers are threatening to swamp the high tech market while basic industrial space is in short supply.

Mrs Marilyn Hands, chief estates surveyor for the borough of Basingstoke and Deane, says that there is nearly 1m sq ft of high tech either built or on the way up in her territory. Unfortunately, the local authority controls little of the relevant land although it is finding more indirect ways to encourage the development of more conventional industrial space.

Further evidence comes from the industrial agency side of Richard Ellis, where Richard Storey says that there is dramatic oversupply of high tech in Bracknell, Berkshire, the town which has been dubbed the British centre of the genre.

Bracknell, he says, has 400,000 sq ft of high tech up and ready while to the west, Swindon is credited with a problem of similar scale.

Ellis signposted the recovery of industrial property investment at the turn of the year, when they saw yields in 1987 coming back by at least a percentage point from the 8½ per cent (prime) and 11.4 per cent (average) they made in 1986.

However on high tech, partner Stephen Hubbard says that institutional investment funds are still very, very wary of investments at yields between 6¾ and 7¾ per cent. "They do want good, brick-built two to three-storey office lookalikes with good parking and all the trimmings," he says. "They are not interested in a tin shed called high tech any more."

It bears saying here that people are not decrying high tech as a concept. They are saying that some of it simply does not merit the description.

Nor are they saying that the countryside of Hampshire, Berkshire and Wiltshire is littered with acres of the stuff which will never let. they are saying that certain properties on badly bought land will not make economic rents; and that others on poorly sited backland will not make the rents that some developers are asking.

To the immediate west of London at Heathrow airport, local area specialists Rogers Chapman think that there is curiously little high tech around, given the dynamism of the location.

Russell Meadows, a partner in the firm, calculates that there is 330,000 sq ft of high tech existing, and on the market in the Heathrow area. A fair proportion of that is under offer and a further 200,000 sq ft is expected to be built in the next 12 months.

However, these figures exclude Stockley Park, the Stockley group's international business park two miles from the airport, which could eventually add up to 2m sq ft of high quality space.

They also leave out mid-tech, a high tech predecessor which, says Mr Meadows, is now fighting back. He reckons that there is ½m sq ft of this type standing available now, with a large chunk under negotiation; another 300,000 sq ft is firmly proposed for the next 12 to 15 months.

Nobody, he says, has been building sheds. The second-hand market for standard units is vigorous, therefore, with premiums being paid when one occupier assigns his lease to another. "We haven't been there for years," says Mr Meadows.

Polarisation

It is left to developer Quentin Jones, joint managing director of Beacontree Estates, to take up the cudgels strongly on high tech's behalf.

He is very short with mid tech, preferring to concentrate on its slow letting over two years rather than its recent performance. He thinks that demand for industrial space has polarised—basic warehousing requirements, and traditional industry requiring cheap high volume space at one pole, and high tech companies requiring "something infinitely more sophisticated" at the other.

Heron Hi-Tech and NFC Properties, advised by Hillier Parker and Pearson Williams, have pre-sold the first of three high-tech buildings now under construction at Kingsmeadow, Reading, Berkshire, to the Thames Water Authority (TWA).

Terms were agreed with TWA prior to the start of the building contract for the freehold purchase of the two-storey high-tech building at a price approaching £2.5m.

TWA will use the 20,600 sq ft building for r & d, laboratory and testing and offices. The agents are expecting rents of over £10 a foot for the other two buildings.

British Gas seeks fifty acre site

BRITISH GAS has asked Knight Frank & Rutley to find it a site of at least 50 acres for a new research and development centre. The parameters are set wide.

KFR say that the search is centred in an area south of Birmingham and north of London. British Gas is looking for a suitable green field site or land zoned for industrial purposes.

Alternatively, say the firm, British Gas would consider an important country estate with a prestigious house where a part of the operation could be based.

The brief seems to follow the criteria for the best of high tech, or out of town campus office development, listing an attractive environment, good location, road and rail communications among its priorities.

● The office market on the US Eastern Seaboard is fighting back. John White of Landauer, US associates of Hillier Parker, says that downtown Manhattan has experienced better office rental conditions than any area in the US, apart from its midtown neighbour.

Landauer, meanwhile, has negotiated the sale of the 21-storey, 532,400 sq ft Royal Insurance Building at 150 William Street in lower Manhattan for \$61.5m (£38.2m).

In Washington DC, the US operating company of Chesterton Lalonde has sold 1630 Connecticut Avenue, 40,000 sq ft of office and retail space, for \$10.5m to a Japanese limited partnership.

● Wise words from James Shaw, new president of the Incorporated Society of Valuers and Auctioneers, in his inaugural address yesterday afternoon. Looking at the reservations expressed about agents who join larger financial groupings, or go to the stock market, he said: ". . . It would come as no surprise to me if, in fact, those who join the groupings or who go to the market become more independent than the independents themselves."

● Dunlop Heywood say that Guardian Royal Exchange's Ship Canal House in King Street, Manchester, a £4m, 70,000 sq ft office refurbishment, is setting new rental records for the city centre. The last three deals, they say, have achieved a new rental "high" of £8 per sq ft.

● Hillier Parker say that the continuing strength of the Brussels office market has been underlined by the pre-letting to Reuters of 4,500 sq metres (48,600 sq ft) in a new development in the Quartier Leopold, Brussels' central business district, at something over BFr 5,000 per sq metre (£7.75 per sq ft).

COMMERCIAL AND INDUSTRIAL PROPERTY ADVERTISING ALSO APPEARS TODAY ON PAGE 14

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

When a small investment pays off handsomely

Crosfield Electronics gave De La Rue a new core business. Peter Marsh reports

IT IS the kind of business marriage that seems utterly logical — at least on paper. A big, wealthy company, on the lookout for commercial opportunities in new technologies, buys a fledgling concern with plenty of bright scientific ideas but not much money.

This was the state of affairs 13 years ago when De La Rue, a British company founded in Victorian times which had become one of the world's biggest producers of banknotes, acquired Crosfield Electronics, a small, struggling company which made electronic printing systems.

As John Crosfield, Crosfield's founder, recalls: "The beauty was that printing banknotes was a massive cash generator for De La Rue. I said to them 'Why not invest some of your cash in us?' and they saw the sense of it."

Today, the link appears to have paid off handsomely. De La Rue, while continuing to concentrate on banknote production and the related area of security printing, has used the £6m Crosfield acquisition as a base from which to diversify into several electronics-related activities. These include fingerprint identification, security systems for places like prisons and nuclear reactors, and production of "smart" banking cards, which incorporate novel electronic memories.

Crosfield has grown rapidly within De La Rue, while retaining its own identity. Five years ago it accounted for one-sixth of group turnover, last year it was responsible for 40 per cent of group sales of £310m. And from a loss as recently as 1982, it has recovered to account for just over a third of group trading profit of £43m in 1985-86.

A three-fold increase in annual sales in the past three years has partly been due to a strong performance in colour scanning equipment used in printing, a £170m a year market worldwide where Crosfield is the major player alongside Rudolph Hell, a subsidiary of Siemens of West Germany.

Another reason for Crosfield's individual growth has been its move into two new areas: graphics systems for design studios and computerised layout and typesetting equipment for newspapers.

A key Crosfield contribution to the group has been its research and development staff of 350 scientists and engineers who are skilled in a variety of areas including computing, optics and high-precision mechanical engineering.

According to John White, De La Rue's financial director, this technical expertise has acted as a catalyst to the parent company's move into new technologies. He expects electronics-related activities, already contributing over half of group turnover, to increase, "possibly markedly" in the next few years.

Tony Willis, an analyst with Messel, the London stockbroker, thinks the partnership between the two companies "has gone very well." He says the presence of Crosfield within De La Rue has been important, not so much in aiding the transfer of specific technologies, but in making the parent more confident about moving into novel areas.

For his part, White gives as an example of Crosfield's influence the role of its research staff in aiding the development of the fingerprint processing equipment sold by Printrak, a De La Rue subsidiary based in Los Angeles. De La Rue bought the concern in 1981 from Rockwell, the US aerospace manufacturer, and White sees these systems as being "a major area for growth."

In a similar acquisition, De La Rue in 1984 bought Sygnetron, a US company which makes equipment to monitor the perimeters of high-security buildings. And last year, De La Rue set up a new, UK-based card and identification systems division, to specialise in areas such as novel forms of bank cards.

According to John Crosfield, an energetic 71-year-old who retired from business a year after the De La Rue takeover, and who now divides his time between homes in London, Devon and Florida, the successful partnership had its roots in De La Rue's willingness to think long-term.

The electronics pioneer, who set up his company in a spare room of his house in 1947, shortly after leaving his job as a war-time scientist with the Admiralty, says that in the late 1970s De La Rue invested many millions of pounds in research and development within Crosfield, confident of the pay-off to come.

Other onlookers generally paint a bright picture of Crosfield Electronics' technological capabilities. "Crosfield is an excellent company—it's delightful to see a UK company progressing at this sort of rate and leading the world," says Peter Michael, chairman of UEI, a respected British concern which specialises in computerised graphics equipment. Crosfield has won no fewer than four Queen's awards for technological achievement.

Roland Dunkley was Crosfield's managing director for eight years before becoming technical director of De La Rue in 1982. He says that in purchasing the electronics company the banknote producer was starting a deliberate strategy "to push the business in a high-technology direction."

Business literature of recent years is full of companies with similar ideas making similar acquisitions, sometimes with unhappy results. There have been some spectacular failures—as with, in the US, Schlumberger's purchase of Fairchild and the takeover of Zilog, like Fairchild a microchip manufacturer by Exxon.

In De La Rue's case, however, Crosfield was, at the time of the purchase probably of the right size to create an impact within the group, yet without being too big to make digestion difficult. In 1974, Crosfield had sales of £10m, with healthy profits of £1.2m. John Crosfield, whose family owned most of the company, says he had been willing to give up control, providing he could find a partner with a new source of funds for research and development.

A second reason, it appears, for the success of the marriage is that, in assimilating Crosfield De La Rue was not being over-ambitious. Rather than break into totally new territory, it was edging out into a field relevant to its core activity. The two companies were linked by their common interest in printing and in other related areas such as cheque-sorting equipment.

As events have turned out, Crosfield has had only a tiny role in influencing De La Rue's main business, bank note and security printing, an area in which the company bolstered its position with the £39m purchase last year of Bradbury Wilkinson, an arch rival.

One small, though important, area of overlap concerns forgeries. In an effort to make bank-notes and related items such as travellers' cheques difficult to copy, De La Rue is keen to monitor developments in new printing technologies that could aid the forger, an area in which Crosfield's technical staff are experts.

As for John Crosfield, he appears to be enjoying his retirement, using the time to write a 402-page history of his family, which traces its genealogy back in 1250.

John White (left) and Roland Dunkley: expecting electronics growth

A dominant position

CROSFIELD Electronics has managed for 15 years to hold on to a dominant position in the colour scanning business. Scanners, which sell for £80,000 upwards, are sophisticated machines which, by a combination of electronic and optical techniques, turn photographic negatives into the four colour images (red, blue, yellow and black) used in printing.

The big advance for Crosfield came in 1971 with its Magnascan, one of the first scanners to include an automatic facility to enlarge the final set of images to the size required. "This took the company from almost nowhere to where it is today," says Roland Dunkley, a former Crosfield managing director who is now technical director of De La Rue.

US companies such as Fairchild Camera and RCA, which had previously dabbled in scanners, dropped out, leaving the field largely to Crosfield and its main rival, Rudolph Hell of West Germany.

In recent years, Crosfield has used its computer expertise to branch out into graphics systems—for use in design and advertising studios and for linking with general printing equipment. Last year the company made a big push into typesetting and picture systems for newspapers and magazines. In quick succession it purchased three companies in the area of newspaper technology—Hastech and Composition Systems, both of the US, and Muirhead Data Communications, based in Beckenham, near London — and subsequently integrated them into one subsidiary, Crosfield Data Systems.

Characteristics of competitors

Analysing the human factor

BY MICHAEL SKAPINKER

THE CHIEF executive of a major Swiss company usually falls asleep when boardroom discussion turns to technology. He wakes up the moment someone mentions profit analysis. What does that tell his rivals about his company?

They might decide that it means the chief executive's prime motive is profit, not technical innovation. They might even decide that the company does not plan to introduce much new technology. On the other hand, the chief executive might leave such matters to his excellent technologists. His concern with profits might just be a counter-balance.

When evaluating one's rivals, the conventional tools of competitive analysis tell only part of the story. Quantitative data on product characteristics, sales, costs and market share are important. But they tell little about the rival's culture, the way it is managed and how it retains the loyalty of its employees.

And yet these, largely unquantifiable, factors are the ones which could ultimately determine the rival's performance, argues Richard Ball, vice-president of management consultants Cresap, McCormick and Paget.

Writing in the April issue of Long Range Planning, Ball says that "for years companies have thought nothing of keeping tabs on competitors by buying their products to analyse new components or having researchers comb trade literature and patents all over the world for clues.

"Perhaps it is time to consider how to do the same with your competitors' human side, analysing not costs and finance,

but what really makes your competitors tick and ultimately determines their ability to plan an effective strategy and see it through."

You might know what your competitors are able to do on paper, Ball says. But you need to find out what they plan to do in practice. In case this sounds like tacit incitement to engage in bugging, surveillance or related unsavoury practices, Ball insists "there is no need for cloak and dagger tactics."

Small clues about competitors are available from a variety of wholly legitimate public sources. It is a question of knowing where to find the clues and having the patience to piece them together.

"Like Kremlin-watchers monitoring the strategic direction of the Soviet Union through the actions of individual Soviet officials or scrutinising the enormous Soviet bureaucracy for power struggles and political realignments, competitor analysis looks to the inner circles of a competing company for clues about its future strategy," he says.

The competitor's annual report often provides some indication as to how its leadership views this future. Personnel departments may pick up valuable information during recruitment campaigns. Common suppliers might be another source.

Examining the career path of a rival chief executive might also reveal something about his strengths and weaknesses. If he has never worked for anyone else, his knowledge of how other companies are run might be limited. If he has specialised in only one function, he might tend to ignore the others. Someone who is an economist by training might look only at statistically significant trends, dismissing his competitors' small technical advances.

Much can be learned, too, from looking at which executives a company attracts and which it loses. If, for example, the senior manufacturing manager and the senior research manager both leave in the same year, this could indicate that they have failed to persuade the company to take technical priorities into account. Perhaps the balance of power now lies with the sales and marketing executives.

Many American companies now collect this sort of information in a systematic fashion, Ball says. At least one European manufacturer has done likewise, hiring business school graduates to evaluate its competitors' managers. Some electronics companies have gone even further, he says, establishing separate departments to carry out this work.

Management abstracts

The effects of scanning on the manufacturer/retailer relationship. A. Wolfe in Admap (UK), Oct 86 (3½ pages).

Sees scanning as heralding a revolution in retailing. Despite the apparent slowness of uptake, retailers are becoming increasingly committed to electronic point of sale systems and points to various benefits in cost reduction and provision of information; looks at the use of scanning in market research, eg measuring the effects of advertising or promotions; notes how EPoS may affect marketing of packaged goods, and concludes by assessing the effects of the manufacturer/retailer relationship and how manufacturers can respond.

Customer involvement in product development. U. Hansen and T. Raabe in Absatzwirtschaft (Feb. Rep. of Germany), Sep 86 (4 pages in German, English version available)

Reports university-based research into techniques to involve "the customer" in the product development process, over and above the elementary awareness of enquiries and complaints. Divides such endeavours into continuous and project-oriented ones, and suggests some motives for participation (eg desire to be considered experts)

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p & p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

TECHNOLOGY

Car manufacturing

VW calls into question Japan's technological drive

By John Griffiths

THE barely-disguised contempt showed by most Western car makers for the engineering sophistication of Japanese cars in the 1970s has been replaced by unease verging on alarm.

Last year an army of Japanese cars, boasting advanced technologies like multi-valve engines, superchargers, turbochargers and computerised suspension systems, captured a record market share of 11.1 per cent in Western Europe, and 14 per cent in West Germany—considered by many to be the front runner of the European car industry.

With £15,000-plus coupes, mid-engined sports cars, executive saloons and Range Rover-type four-wheel-drive vehicles, the Japanese producers have pushed deep into market niches far removed from economy saloons, their traditional forte.

Increasingly the question is being raised whether even Europe's most advanced car makers might soon be overtaken technologically by the manufacturers of Japan.

In one of his occasional, broad-ranging assessments of the likely future for the car and the motor industry, Professor Ulrich Seiffert, head of research and development (R&D) at the West German Volkswagen/Audi group, suggests not only that the

Professor Ulrich Seiffert identifies Japanese innovations of "dubious value"

answer is no, but that Japanese car makers have been using their domestic consumers as guinea pigs to test-market the technology now appearing in their European models. He adds that despite much hyperbole some of the innovations thrust upon the car market by the Japanese are of dubious value.

Rejecting any suggestions that his comments are merely "sour grapes," Prof Seiffert declares: "I don't underestimate our Japanese colleagues. But they have a different strategy. Often they put innovations on the market when they don't have a total view of what they're supposed to be doing with a car's design.

"They have, however, such a tame domestic bunch of consumers that they are willing to test technology on the actual customer. We could NEVER do that in West Germany; nor could it ever happen elsewhere in Europe.

"With the Japanese, as technical solutions become more complicated, they just see something new and quickly replicate it. In Europe the emphasis is on 'honest' engineering—there are all kinds of things the European industry develops quietly behind the scenes. These technologies are then either abandoned or developed, depending on whether there is a genuine benefit to be had."

Prof Seiffert illustrates his point with two examples about which there has been much publicity from Japan — diesel engines using ceramics, which theoretically operate with no heat loss and therefore greater efficiency, and four-wheel steering.

Of the former, Prof Seiffert says, "VW has closely explored but discarded, certainly for the moment, such engines.

"The Japanese are claiming a 30 per cent increase in efficiency—but we now know that heat transfers out at higher temperatures and economy goes down."

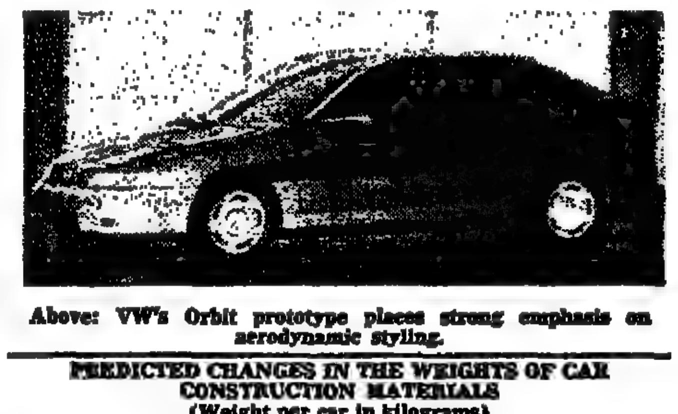
As for four-wheel-steering which is claimed to improve steering response and handling, and Japanese versions of which are starting to appear in Europe, Prof Seiffert discloses that his group developed an Audi model using such a system in 1976. It concluded, "the benefits simply do not justify the cost," while modern rear suspension systems, such as that on the VW Golf, in any case have a designed-in element of rear-steer.

"Far more important," says Prof Seiffert, "is to get genuine safety advances like anti-skid braking systems out of the executive car ranges and down into the volume market. . ."

In short, he says, "there is a danger of over-estimating the Japanese. I'm not really concerned about the product engineering and technology base in Europe."

Where the Japanese do have a lead, he acknowledges, is in manufacturing technology. "I'm much more concerned with keeping up with that. When it comes to the product, however, the basic innovations are all still coming from Europe," he concludes.

Volkswagen spends nearly 4 per cent of its world turnover, some DM 1.7bn (£578m) a year, on R & D



Above: VW's Orbit prototype places strong emphasis on aerodynamic styling.

PREDICTED CHANGES IN THE WEIGHTS OF CAR CONSTRUCTION MATERIALS
(Weight per car in kilograms)

	Japan			US			Western Europe		
	1980	1985	1990	1982	1985	1990	1982	1985	1990
Steel plate	575	565	470	757	672	584	415	405	353
Iron and steel	207	197	187	209	181	128	220	208	195
Stainless steel	—	—	—	12	11	10	—	—	—
Aluminium	34	42	47	61	76	102	38	45	51
Non-ferrous metals	19	17	16	31	29	28	25	24	22
Glass	30	30	22	38	38	34	27	27	25
Plastics	47	51	57	88	93	114	61	66	85
Total	916	902	799	1,196	1,100	1,000	786	774	731

Source: VW Research

WEST GERMAN VIEW OF THE ROAD VEHICLE DEVELOPMENT SHOULD BE TRAVELLING

IN HIS review of future vehicle developments, Prof Seiffert outlined the main areas of VW's own technological thrust:

● **Aerodynamics.**

Production cars with a drag coefficient (Cd) of 0.25 will soon become available to those prepared to pay high prices for them. But the average car will fit into the 0.28-0.34 zone already achieved by models like the Renault 25 and Audi 100

VW's Orbit prototype (see picture) shows how a Cd of 0.25 could be achieved in production form.

Within four years VW is to install super-computers allowing the collection and processing of such huge amounts of data that wind tunnels used to perfect aerodynamics may be rendered obsolete.

● **New materials.**

The weight of the average car is going up despite lighter materials being used and lighter individual components being designed.

The reason for this is increasing demand for safety, power and comfort improvements among buyers growing ever wealthier, in a climate of low oil prices. Obvious weight increasing culprits are all the power mechanisms needed to operate such features as sunroofs, central locking, and seat adjusters.

Plastic composite bodies offer a potential net weight saving but cannot be adopted for volume cars because there is no way of recycling the material at the end of a vehicle's life.

Plastics already account for 10-12 per cent of an average car's weight in other components, like bumpers, and for strength/weight reasons VW uses plastics in some structural areas like door surround frames.

Stressed mechanical components like driveshafts in composites are likely, not just for weight saving but because noise transmission is reduced and drive forces are cushioned.

Carbon fibre — reinforced engine connecting rods cost more than ten times the steel equivalents. But their engineering advantages could outweigh unit costs because reduced oscillating masses could provide savings in other areas, like damping components.

● **Engines.**

Advances in petrol engine technology means these units are now approaching diesels in terms of fuel economy. Diesels will therefore need the stimulus offered by direct fuel injection (about a 15 per cent further improvement in economy) to tempt the motorist into overlooking the power disadvantages when compared to petrol engines. VW expects to use superchargers for higher performance on up to 2 litre petrol engines, and turbochargers on over 2 litre units.

● **Transmissions**

VW has developed a continuously variable transmission for small cars, but it is not yet in production. Demand of 200,000 units a year would be needed to cover costs, and the market is not ready for such volumes.

As an interim alternative, VW is developing electronic control of manual transmission, including electronic operation of the clutch.

● **Electronics.**

The fastest growing area of car manufacturing is in electronics. These currently account for 12-14 per cent of a car measured by manufacturing costs, and by the year 2000 will account for 25 per cent.

Already VW has 10 prototypes of vehicles in which all the cars' systems can be controlled by means of microcomputers.

● **Alternative vehicles.**

A new electric car study involving sodium/sulphur batteries supplied to VW by Brown Boveri "is starting to look promising," but major technical and electricity supply infrastructure problems lie ahead.

Meanwhile VW has developed a prototype "hybrid" petrol/electric car offering fuel economy of 100 kilometres per 2.8 litres of petrol.

● **Production.**

With body assembly now extensively automated, VW is working on more flexible centres which will allow the automated assembly of dashboards, seats and side door modules.

US battery which is miles ahead

A BATTERY able to drive an electric van three times the distance possible with the best conventional lead acid battery of the same weight has been developed at the Argonne National Laboratory in the US.

The laboratory, which is operated by the University of Chicago for the US Department of Energy, has shown that 200 miles of non-stop city driving is possible without recharging. The tests were carried out in a General Motors Griffon van carrying a load of 900 lb.

Built for Argonne by Gould of Rolling Meadows, Illinois, the battery uses lithium and iron sulphide (Li-FeS), but has to be operated at 460 deg C. It is encased in high-efficiency vacuum insulation so that the heat it generates during discharge is not lost and the temperature is maintained. The charge time for the van battery is about eight hours.

The Li-FeS battery concept is one of a number that have been suggested over the last decade or so. Others, like sodium sulphur and zinc bromine can yield very high power to weight ratios but have proved difficult to engineer into safe, cost effective units for vehicles. (The highly active chemicals could be a serious problem in a road accident.)

According to the Electric Power Research Institute in the US, any battery giving a 100 mile range would allow the conversion to battery power of 3m to 4m petrol-powered vans in commercial service in America.

Hot topic for better plastics

ERA TECHNOLOGY, the Leatherhead, UK, electrical research organisation, has developed a technique which allows the thermal history of plastics to be determined.

The technique can reveal the maximum temperature to which a plastics component has been subjected during its service—in a piece of electrical equipment for example. The method could be useful to designers seeking to optimise materials and shapes of components in order to prevent failures.

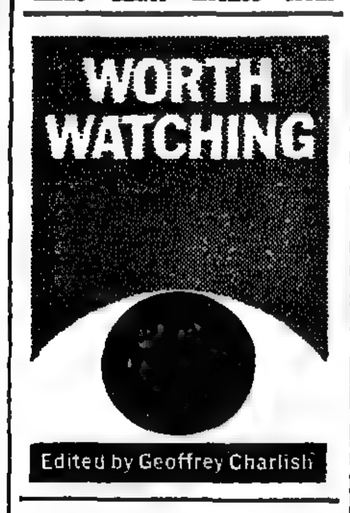
When a piece of plastic is heated differently along its length, its structure is modified according to the temperature experienced. Therefore, when it is subsequently reheated, the melting characteristic are different. ERA uses a system that can see these differences on re-heating and can deduce the original range of temperatures to which the part was subjected. The technique has already been used to determine the operating temperatures of high-voltage power cables after their removal from service.

Strong attraction of smaller magnets

WEST GERMAN company Vacuumschmelze of Hanau is manufacturing an improved permanent magnet metal called Vacodym. This has a very high energy density, which means that relatively small pieces can produce large magnetic fields.

The metal, which is being made under licence from Sumitomo Special Metals in Japan, will allow designers of electromagnetic components like transducers, motors, generators and magnetic couplings to produce more compact units of improved performance.

Vacodym is a neodymium-iron-boron alloy and in comparison with the better known cobalt-samarium material, the magnetic energy per unit volume is 70 per cent higher. However, the alloy is much more temperature-dependent and unlike the cobalt-samarium metal, cannot be used at higher temperatures.



Just the ticket for car parking

CAR PARK control becomes easier with FirstSignal equipment from Immediate Business Systems (IBS) of Milton Keynes in the UK.

Instead of writing out tickets by hand, the car park attendant uses a hand-held computer which is connected by cable to a portable printer carried on a shoulder strap. The combined weight is less than 5 lb and the units can be used in any weather.

The key pad on the hand-held unit is used to record data about vehicles entering and leaving the car park, while the printer quickly produces tickets for the car drivers at 60 lines per minute.

IBS is part of Allied Signal Corporation of the US, where the system was designed and where several are already in operation.

UK teletext gets a personal touch

MANY MAKES of personal computer (PC) can be adapted to receive teletext using a £269 plug-in printed circuit board which is about to be launched by K-Bytes, of Chandlers Ford in the UK.

Teletext is the broadcast information service provided in Britain by the BBC and ITA, under the respective titles of Ceefax and Oracle. The plug-in board will allow PC users to bring frames of teletext direct to their screens. Conventionally, a suitably equipped TV set is needed.

American eye on document storage

BELL & HOWELL, the information equipment company of Chicago in the US, has entered the office optical storage market with a system called Image Search Plus.

Using its own design of document scanner, a 5.25 inch optical disk recorder from Optotech (US) and an IBM AT personal computer, the company has written software to enable it to offer a system at £45,000. Image Search Plus allows very quick access to the images of original documents.

CONTACTS: Argonne National Laboratory: US, (312) 972 5594. Vacuumschmelze: West Germany, 6181 3621. Bell & Howell: UK office, 07942 51234. Immediate Business Systems: UK, 0908 568128. ERA Technology: UK 0372 374151. K-Bytes: UK, 0428 54011.

Arts Week

F	S	Su	M	Tu	W	Th
27	28	29	30	31	1	2

Opera and Ballet

LONDON

Royal Opera House, Covent Garden: This week sees the premiere of the first opera by the Finnish composer Aulis Sallinen to be given in Britain – The King Goes Forth to France. The conductor (as at the world premiere in Savonlinna) is Okko Kamu, the producer is Nicholas Hytner, and the cast includes Mikael Melbye, Stafford Dean, Sarah Walker and Valerie Masterson. (240 1066).

English National Opera, Coliseum: David Alden, remembered in Lonon for the notorious "blow-torch" ENO production of Mazeppa, returns to the house for the new Simon Boccanegra, with Jonathan Summers in the title Role and Janice Cairns as Amelia-Maria; Mark Elder conducts. Also in repertory: Jonathan Miller's updated Tosca, one of his least successful ENO stagings, with Phyllis Cannan; and another, much jollier Miller updating, the non-Japanese Mikado (836 3161).

Camden Festival: This year's Camden Festival has as one of its most important and valuable presentations the long-delayed British premiere of Kurt Weill's Silbersee, with Kate Flowers, Meriel Dickinson and Nigel Robson, producer John Eaton. Bloomsbury Theatre, W.C. 1.

PARIS

Bellini's I Puritani: The Welsh National Opera's production sets the romantic action against a background of fortifications, and towers which evoke the feeling of danger, thus making Elvira's folly credible. Opéra Comique (42960611)

Don Carlo alternates with Verdi's Messa da Requiem conducted by Georges Prêtre at the Paris Opéra (4266 5022).

Ballet Moisseiev celebrates its 50th anniversary with a suite of traditional Russian dances, with Partisan Fighters, A Day on a Boat and a Winter Celebration at the Palais des Congres (4742 0744).

Maurice Bejart's XXth century ballet: Trois Etudes pour Alexandre, a world premiere with Fernando Bujones. Le Baiser de la Fée with Eric Vu An at the TMP-Châtelet (4233 4444).

WEST GERMANY

Berlin, Deutsche Oper: The week features the premiere of Busoni's Doktor Faust, a joint project between Berlin and English National Opera, conducted by Christof Prick in David Pountney's production with Lucy Peacock, Gunter Reich, Kenneth Riegel and Ryszard Karczykowshi, joining in repertory Ariadne auf Naxos conducted by Heinrich Hollreiser in Rudolf Sellner's production with Ute Walther, Celina Lindsley, James King and Gerd Feldhoff; and Cosi fan tutte conducted by Jesus Lopez Cobos in Götz Friedrich's production with Carol Malone, Angela Denning, Keith Levis and Lenus Carlson.

Hamburg, Staatsoper: Elektra has a particularly strong cast with Helga Dernesch, Gwyneth Jones, Judith Beckmann and Hans Sotin. Manon Lescaut, sung in Italian, stars Natalia Troitskaya, Rachel Joselson, Franz Grundheber and Franco Bonisolli. Parsifal has fine interpretations by Waltraut Meier, Carlos Krause, Peter Hofmann and Kurt Moll. Die Verkaufte Braut rounds off the week.

Cologne, Opera: La Bohème brings Yoko Watanabe, Juan Lloveras, Ludwig Baumann and Francisco Vergara together. Tannhäuser is an event of more than passing interest with Nadine Secunde, Wolfgang Brendel, Klaus Konig and Mathias Holle. Der Barbier von Sevilla is a well done repertoire performance.

Frankfurt, Opera: Ein Maskenball takes the leads Ellen Shade, Toniel Gonzaga, Giorgio Zancanaro and Nan Christie. Götterdämmerung, produced by Ruth Berghaus, one of the brightest Frankfurt successes of recent seasons, has Katarina Ligendza, June Card, William Cochran and Manfred Schenk in the main parts. Also Orpheus in der Unterwelt.

Munich, Bayerische Staatsoper: This week's premiere, Götterdämmerung, completes the new Ring produced by Nikolaus Lehnhoff and conducted by Wolfgang Sawallisch. The main parts are sung by Hildegard Behrens, Lisbeth Balslev, Brigitte Fassbaender, Rene Kollo and Martti Salminen. Also Das Rheingold with Marjana Lipovsek, Nadine Secunde, Hanna Schwarz and Kurt Moll and Die Walküre with Cheryl Studer, Hildegard Behrens, Robert Schunk and Kurt Moll. La Bohème closes this week.

ITALY

Rome, Teatro dell'Opera: Revival of Luchino Visconti's 1965 production of Don Carlo (with the original sets and costumes) directed by Alberto Fassani and conducted by Gustav Kuhn. Luis Lima sings the part of Don Carlo, Renato Bruson, Rodrigo, Margarita Castro Alberty that of Elisabetta de Valois, and Nicola Ghiuselev alternates with Roberto Scandiucci in the part of Filippo II. (46 17 55).

Milan, Teatro alla Scala: Un Ballo in Maschera conducted by Gianandrea Gavazzeni and directed by Sandro Sequi with scenery and costumes by Giuseppe Crisolini Malatesta (Florence Teatro Comunale Production), with Fiorenza, Cossotto, Nuccia Focile and Aldo Bramante; four ballets: Frankenstein: The Modern Prometheus with choreography by Wayne Eagling, who dances with Oriella Dorella; Lulu, choreography by John Butler, danced by Carla Fracci, Gheorghe Iancu, and Ornella Costalonga; Leda and the Swan by Bejart, danced by Luciana Savignano and Jorge Donn and Symphony in D by Balanchine. The conductor is Michel Sasson. (80 91 26).

Bologna, Teatro Comunale: Elisir d'Amore' conducted by Donato Renzetti and directed by Luciano Alberti, who also designed the scenery and costumes. The cast includes Silvano Carroli, Alida Ferrarini, Luciano Pavarotti and Leo Nucci. (52 99 99).

Venice, Teatro la Fenice: La Bohème by Puccini in a new production by Piero Faggioni conducted by Emil Tchakarov, with Renata Scotto, Raina Kabaivanska, Elena Zilio, José Carreras and Leo Nucci (71 01 61).

Trieste, Teatro Comunale Giuseppe Verdi: Una Lettera d'Amore di Lord Byron – One-act opera with Libretto by Tennessee Williams, translated into Italian by Paola Ojetti – directed by Gianfranco Ventura and conducted by Spiros Argiris. The cast includes Bruna Baglioni, Laura Zannini and Pierfrancesco Poli. Also, the ballet Il Carillon Magico with music by Riccardo Pick-Mangiagalli and choreography by Tuccio Rigano (63 19 48).

Rome, Teatro Olimpico (Piazza Gentile da Fabriano): Salieri's two-act opera La Grotta di Trofonio directed by Sandro Sequi with Mariella Devia, Amelia Felle, Claudio Desderi and Ezio di Cesare with scenery and costumes by Giuseppe Crisolini Malatesta, conducted by Franco Petracchi (39 33 04).

NETHERLANDS

Amsterdam, Muziektheater. Premiere of the Netherlands Opera production of Busoni's Doctor Faust directed by Franz Marijnen. The Netherlands Philharmonic conducted by Lucas Vis, with Victor Braun as Faust, Mario Brell as Mephistopheles, and Mary Jane Johnson as the Duccess of Parma (Thur). (255 455).

Utrecht, Schouwburg. The Netherlands Opera touring company with the Barber of Seville directed and designed by Dario Fo, the Netherlands Philharmonic conducted by Stephen Barlow. Louise Winter (Rosina), Yoshihisa Yamaji (Almaviva) and David Malis (Figaro). (Tue). (31 02 41).

Opera Forum with La Traviata directed by Rudolf Sauser and conducted by August Haltmayer, with Franz-Josef Kapellmann and Hélène Versloot; Tue in Nijmegen, Schouwburg (22 11 00); Thur in Groningen, Schouwburg (12 56 45).

NEW YORK

Metropolitan Opera (Opera House): The week features the first seasonal performance of Samson et Dalila conducted by Jean Fournet in Nathaniel Merrill's production with Marilyn Horn, Jon Vickers and Terry Cook, joining Dialogue of the Carmelites conducted by Manuel Rosenthal in John Dexter's production with Maria Ewing, Jessye Norman, Florence Quivar and James Courtney; and Turandot conducted by James Levine in Franco Zeffirelli's production with Eva Marton, Placido Domingo and John Macurdy (362 6000).

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vandeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

The House of Bernarda Alba (Globe): Lorca's last tragedy in a successful production transferred to the West End from Hammersmith. Nuria Espert, veteran Spanisch actress/director, has drilled a high-calibre cast led by Glenda Jackson and Joan Plowright into a near-authentic portrayal of steam frustration in an all-female household oppressed by both traditional catholicism and the peasant class system. Ultimately it's all a bit British, but the company provides a roll-call of some of the best actresses around – all eclipsed by the ineffably touching Julie Legrand. (437 1592).

NETHERLANDS

Amsterdam, Bellevue Theatre. The English-speaking Theatre company presents Barbarians by Barrie Keeffe, a trilogy of short plays tracing the fortunes of three school-leavers, two white and one black (Fri, Sat). (247 248).

Arnhem, Schouwburg. The Trestle Theatre Company from London with A Slight Hitch directed by John Wright (Wed, Thur). (42 27 41).

Utrecht, Vredenburg. Folk music and dance from Poland (Mon). (31 45 44).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture of feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproarlously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

She Always Said, Pablo (Goodman): The company's associate director, Frank Galati, created this pastiche of music by Virgil Thomson and Igor Stravinsky with words by Gertrude Stein and visuals by Pablo Picasso. Performed by 11 actors, the work features Picasso's Minotaur as well as Picasso, Stein and Alice B. Toklas. Ends April 4 (443 3800)

WASHINGTON

Citizen Tom Paine (Eisenhower): Richard Thomas stars in popular historian Howard Fast's look at the Thetford-born American radical's rise and fall to obscurity, in between the fame brought by Common Sense. Ends April 12. Kennedy Center (254 3670).

TOKYO

Kabuki (Kabuki-za). A dance-drama, Kasane, is the most appealing in the matinee programme. The gory tale of an encounter with the skull of a murdered man (father of the heroine, Kasane). When the spirit of the dead man possesses the daughter, the resultant grotesque disfigurement takes place with full relish – though beautified by Kabuki stylisation. More blood and gore in the evening programme. Soga Moyo Tateshi no Goshozome includes the torture scene in which the jealous wife of a feudal lord beats his lover to death. Stars Tamasaburo and Takao appear in both. Excellent English earphone guide available. Kabuki-za. Ginza. (541 3131).

Takarazuka All-Girls' Revue: The Moon Troupe in Nostalgia and Jeff and Roland. This Takarazuka phenomenon, the antithesis of Kabuki with even the male roles played by girls, but with typical Japanese innocence and earnestness, is a must for visitors. It offers another insight into the incongruous mosaic of Japanese culture. Highly improbable plots are more than compensated for by spectacular, skilled stagings and huge casts. Detailed English synopses availabe. Afternoon and evening performances. Takarazuka Theatre near Ginza and main hotels. (591 1711).

Noh: Most performances take place at weekends. Details in Tokyo English dailies and Tour Companion available at major hotels. Two handy little books A Guide to Noh and Guide to Kyogen in most hotel bookstores and at some theatre give synopses of plots.

Music

LONDON

English Chamber Orchestra conducted by Oliver Gilmour with Anthony Goldstone, piano. Mozart. Barbican Hall (Tue). (638 8891).

London Philharmonic conducted by Okko Kamu with Nigel Kennedy, violin. Sibelius, Tchaikovsky and Nielsen. Royal Festival Hall (Tue). (928 3191).

Bach Choir and English Chamber Orchestra conducted by Sir David Willcocks. Soloists. Bach St John Passion. Royal Festival Hall (Wed).

London Symphony Orchestra conducted by Neeme Jarvi with Cécile Ousset, piano. Dvořák, Rachmaninov and Brahms. Barbican Hall (Thur).

BBC Symphony Orchestra and BBC Singers conducted by Bernard Rands and David Atherton with Elaine Barry, soprano. Bernard Rands and Shostakovich. Royal Festival Hall (Thur).

City of London Sinfonia conducted by Richard Hickox. Britten and Shostakovich. Queen Elizabeth Hall (Thur). (928 3191).

PARIS

Ensemble Intercontemporain conducted by Michel Tabachnik, New London Chamber Choir conducted by James Wood: Varese, Gerard Masson, Michel Tabachnik (Mon). Théâtre de la Ville (4274 2277).

Rolando Panerai, baritone, Michele LaGrange, soprano, Elizabeth Cooper, piano: Rossini, Bellini, Verdi (Mon, 6.30pm). TMP-Chatelet (4233 4444).

Cello Quatuor Arcana: Bartok, Florentz, Ligeti, Debussy (Tue). Auditorium des Halles (4562 5757).

Soiree of Viennese Music (Tue). Salle Gaveau (4563 2030).

Almut Roessler, organ: Olivier Messiaen (Tue). Radio France (4524 1516).

Olivier Bensa, guitar, Richard Siegel, harpsichord: Vivaldi, Ponce, Beethoven. Villa Lobos (Thur). Salle Gaveau (4563 2030).

Orchestre National de l'Ile de France conducted by Eve Queler with Rosalind Plowright: Verdi, Bellini, Spontini (Thur). Salle Pleyel (4561 6630).

BRUSSELS

Mozarteum Orchesta Salzburg conducted by Hans Graf with Mihaela Martin, violin. Mozart, Schubert (Tue).

Belgian National Orchestra conducted by Mendi Rodan with R. Buchbinder, piano. Wagner, Schumann, Mussorgsky (Thur).

NETHERLANDS

Amsterdam, Concertgebouw. Frans Brüggen with the Orchestra of the 18th Century: Bach, Schubert, Mendelssohn (Tue). Recital Hall: Jean-Jacques Kantorow conducting the Orchestre de Chambre d'Auvergne, with Marieke Blankestijn, violin. Stravinsky, Bach, Schubert (Tue). (71 83 45).

Rotterdam, Doelen. Organ recital by Arie Keijzer: Bach, C.P.E. Bach, Keijzer, Franck (Mon). James Conlon conducting the Rotterdam Philharmonic, with Maria Joao Pires, piano: Wagenaar, Mozart, Debussy (Tue to Thur). (414 29 11).

Utrecht, Vredenburg. Mitsuko Uchida, piano: Mozart, Schoenberg, Schubert, Chopin (Tue). Recital Hall: The Orlando Quartet with Rian de Waal, piano: Brahms (Mon). (31 45 44).

Bach concert for Passiontide and Easter from the Netherlands Chamber Choir and the Amsterdam Bach Soloists conducted by Michel Corboz, Wed in Nijmegen, Vereeniging (22 11 00), Thur in Haarlem, Concertgebouw (32 09 94).

Zwolle, Odeon. The London Fortepiano Trio: Mozart, Haydn (Wed) (21 85 00).

Scheveningen, Circus Theatre. International cello concours. Semi-finals, Tue: final with the Hague Philharmonic conducted by Ottavio Maga (55 88 00).

Groningen, Oosterpoort. Lieder recital by Jard van Nes, mezzo-soprano (Tue). (13 10 44).

NEW YORK

Carnegie Hall: Orchestra of St Luke's, James Galway conductor and flute solo. All Mozart programme. Chamber Orchestra of Europe, Lorin Maazel conducting. Mozart, Ravel (Thur). (247 7800).

Chamber Music Society of Lincoln Center (Alice Tully): Charles Wadsworth artistic director, Tobias Picker piano. Handel, Brahms, Tobias Picker (world premiere), Beethoven (Mon, Tue). Lincoln Center (362 1911).

Merkin Hall (Goodman House): Music Spectrum, Boris Berman music director and piano. Shostakovich, Arvo Paert, Stravinsky, Taneyev (Wed); Boston Camerata, Joel Cohen director. Elizabethan music including Byrd, Dowland, Morley (Thur). 67th w. of Broadway (362 8719).

New York Philharmonic (Avery Fisher Hall): Stanislaw Skrowaczewski conducting, Lorne Munroe cello. Boccherini, Bruckner (Tue). Stanislaw Skrowaczewski conducting, Krystian Zimerman piano. All-Brahms programme (Thur). Lincoln Center (874 2424).

Waverly Consort (Alice Tully Hall): Theatre and dance music of the age of Cervantes (Thur). Lincoln Center (362 1911).

CHICAGO

Chicago Symphony (Orchestra Hall): Sir Georg Solti conducting, Jerome Rose piano. Stravinsky, Liszt, Strauss (Thur). (435 8111).

Continued on Page 15

Legal Notices

INSURANCE COMPANIES ACT 1982, SECTION 51
MUTUAL OF OMAHA INSURANCE COMPANY
MUTUAL OF OMAHA INTERNATIONAL LIMITED

NOTICE is hereby given that Mutual of Omaha Insurance Company whose principal place of business in the United Kingdom is at Richmond House, Richmond Hill, Bournemouth BH2 6EQ ("the Transferor") has applied to the Secretary of State for Trade and Industry under Section 51 of the Insurance Companies Act 1982 for his approval of the transfer by the Transferor to Mutual of Omaha International Limited (which is a wholly owned subsidiary of Mutual of Omaha Insurance Company) and whose registered office is at 10 Gough Square, London EC4A 3DE ("the Transferee") of all rights and obligations under all general policies of insurance entered into in the United Kingdom by the Transferor. Copies of a Statement setting out particulars of the transfer are available for inspection at the offices of the Transferee at 10 Gough Square, London EC4A 3DE between 9.30 a.m. and 5.30 p.m. (Saturdays, Sundays and public holidays excepted) until 31st May 1987.

Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry, Insurance Division, Room 807, 10-18 Victoria Street, London SW1H 0NN before 31st May 1987. The Secretary of State will not determine the application until after considering any representations made to him before that date.

ROBERT J. COLLINS
On behalf of MUTUAL OF OMAHA INSURANCE COMPANY
HAROLD M. PAISNER
On behalf of MUTUAL OF OMAHA INTERNATIONAL LIMITED
Friday, 27th March 1987

INSURANCE COMPANIES ACT 1982, SECTION 51
CONSTITUTION INSURANCE COMPANY OF CANADA
MUTUAL OF OMAHA INTERNATIONAL LIMITED

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NICHOLAS J. PARKS on behalf of CONSTITUTION INSURANCE COMPANY OF CANADA
HAROLD M. PAISNER on behalf of MUTUAL OF OMAHA INTERNATIONAL LIMITED
Friday, 27th March 1987

SCOTTISH AGRICULTURAL INDUSTRIES PUBLIC LIMITED COMPANY

NOTICE IS HEREBY GIVEN that there was registered with the Registrar of Companies in Scotland on 25th March 1987 an Order by the Court of Session dated 24th March 1987 sanctioning a Scheme of Arrangement under Section 425 of the Companies Act 1985 between Scottish Agricultural Industries Public Limited Company, a Company incorporated under the Companies Acts, and having its registered office at 25 Ravelston Terrace, Edinburgh EH4 3ET, and the holders of the Scheme Shares (as defined in the Scheme). A copy of the Scheme as certified by the Solicitors of the Company was registered at the same time in accordance with the said Order.

DUNDAS & WILSON, C.S.,
25 Charlotte Square,
Edinburgh..
Solicitors for Scottish Agricultural Industries Public Limited Company.

هكذا من الأصل

Cinema/Ann Totterdell

Ghost of a flirtation through secondhand books

84 Charing Cross Road directed by David Jones
Fatherland directed by Ken Loach
Little Shop of Horrors directed by Frank Oz
Golden Eighties directed by Chantal Akerman
The Men's Club directed by Peter Medak und John Harada
Hero directed by Tony Maylam

For the sort of starry-eyed New Yorkers I always seem to meet — the kind who seriously believe that the British spend all their time eating cucumber sandwiches and talking about Shakespeare—*84 Charing Cross Road* will do nicely to sustain the fantasy. It does astonishingly nicely too as a film sprung out of the most unlikely of sources, a collection of letters written between 1949 and 1969 between a London bookseller, Frank Doel (Anthony Hopkins) and American writer Helene Hanff (Anne Bancroft) who finds it more rewarding to buy second hand English Literature by mail order from London than in pricy New York book stores. Her tangibly physical delight in the old leather bound volumes she receives is the trigger for her letters to the staff of Marks and Co bookshop in the Charing Cross Road.

Scriptwriter Hugh Whitemore has worked a miracle in bringing to life the most difficult of raw materials. By using the letters as a narration counterpointed with images of the everyday lives the authors describe he has created Frank's postwar world of rationing and the Festival of Britain, a place where Helene's gifts of food parcels and nylons bring a joy we can no longer imagine. By contrast post-war New York is a brighter, brassier, more affluent place, but not affluent enough, sadly, even when austerity has evolved into the buoyant Sixties, for Miss Hanff to afford the trip to England she promises herself throughout the exchanges that end with Frank's death.

Anthony Hopkins and Anne Bancroft are excellent as the foreign correspondents enjoying each other's domestic cultures at second hand and nurturing the ghost of flirtation.

Anne Bancroft in "84 Charing Cross Road" and Gerulf Pannach in "Fatherland"

Of course it is the fact that they never meet that gives the film and their paper relationship its tension. Not a truly cinematic film and yet never claustrophobic or confining, *84 Charing Cross Road* is an involving and refreshing experience which may even send you rushing home to hug a book.

★

When Klaus Drittemann, an anarchic East German protest singer leaves for West Germany in *Fatherland*, the authorities seem glad to be rid of him and he has no illusions about how life in the "free" world is going to be. Immediately he is ensnared by the tacky internal politics of his American owned record company and sees open State repression of free speech replaced with skilful evasion.

Government propelled by capitalism is enough to send any self-respecting anarchist scuttling back to the East where at least he knew where he stood, but taciturn Klaus (Gerulf Pannach) is a man with a mission, to find the father—musician and resistance hero—who left Germany under circumstances similar to his own 30 years earlier. His search takes him deeper into the lying world of democracy. What the film says illusion greater than he had ever imagined.

It is a little disconcerting at first to find a British director and writer who have made a film about Germany with German dialogue and English sub titles but that leads us away from the more central issue of why Ken Loach and Trevor Griffiths looked to the East-West German situation for inspiration in the first place.

Maybe they felt it provided a metaphor so clear cut that everyone could understand it—or maybe it was a simple case of following the fund-raising (the film turns out to be a French/Channel 4 co-production) when there was none in Britain. Certainly this team could have looked closer to home if they wanted to ruminate on the confinements of democracy. What the film says it what we all know in our hearts but, bound up in its own aridity and sometimes mesmerisingly dull, it never provokes an emotional reaction.

A film musical based on a stage musical based on an old Roger Corman movie—there is something blackly appropriate about *Little Shop of Horrors'* regurgitated condition. The little shop in question is a failing flower shop on Skid Row whose fortunes suddenly improve with the arrival of a strange plant cultivated by weedy shop assistant Seymour Krelborn (Rick Moranis).

Somehow this strange looking succulent, named after Seymour's colleague and secret crush, Audrey, becomes a lucky mascot for the store, attracting customers and media interest and swiftly developing a personality of its own. Alas, Audrey II is no shrinking violet. If she is to flourish, she swiftly communicates to Seymour that she needs not organic plant food but fresh human blood. Seymour's efforts to appease the ever-growing, ever-demanding plant inevitably result in some gory moments and a swift re-ordering of his own morality as he decides that some people may be expendable after all, especially if they are also his rivals. Audrey II grows and grows into something hypnotically obscene. Will Seymour see the light in time? Will Audrey II take over the world?

Rick Moranis and the deliciously flaky Ellen Greene as the flesh and blood Audrey are a winning pair of losers, but the unforgetable highlight of the film is Steve Martin's guest appearance as Orin Scrivello. The sadistic little boy who grew up to find his true calling as a dentist inspires more cold terror than Laurence Olivier in *Marathon Man*.

Larger than life with an exuberant, boppy score, *Little Shop of Horrors* is noisy, brash, funny, heartless and sentimental. A memorable entry by Muppet director Frank Oz into a (relatively) human world, probably destined to become as big a cult as *The Rocky Horror Show*.

★

It is a pity that Audrey II could not spread her treacherous feelers in the direction of *Golden Eighties*—coincidentally another musical (disastrously sub titled) set in a French shopping mall.

She could only have enlivened this weary dreary romance of a boutique owner's son and two hairdressers whose destinies are confused by the gossip and interference of everyone around them. Director Chantal Akerman is known for her feminist films, a fact which gives no handle at all on the meddlesome disloyalties of the marriage obsessed females who populate this makeshift piece.

The most perplexing thing about *Golden Eighties* is what an actress of Delphine Seyrig's standing is doing mixed up in such nonsense. Maybe she should compare notes with some equally respectable American actors, notably Roy Scheider, Harvey Keitel, Treat Williams and Craig Wasson who were somehow persuaded that *The Men's Club* was worthy of their talents.

These men, laboriously established as educated professional types, take it into their heads to meet to bare their souls, a kind of encounter therapy without the therapy, and end up in an expensive brothel where they proceed to make complete fools of themselves. The film has nothing to say about anything approaching real feelings, nor does it ever become interestingly erotic. An embarrassment for all concerned.

★

Mercifully there is no time for introspection among the outstanding players of the 1986 Mexico World Cup. Though the official film uses ten men as its focus—Platini, Lineker, Francescoli etc—the undoubted hero of *Hero* is Diego Maradona. Football fans should find this an enjoyable eighty-six minutes of highlights from the matches with key moments shown as many as five times from different angles.

Colourful and lively, constantly moving, with scarcely a moment of interview or peripheral documentary to slow things down, the film's greatest handicap is a very blandly written commentary. "Platini lives a moment of private hell on his birthday, watched by a million people around the world." The words are superfluous.

Pocket Atlas/ICA

Claire Armitstead

Watching IOU Theatre in *Pocket Atlas* is rather like rubbing one's tummy while patting one's head. As a narrator, stage left, expounds the strange adventures of a ship's chef called Bell, behind him a kitchenful of cooks appear bent on spoiling the broth. The only obvious points of contact come in the middle, when our narrator — a faintly spivvish type with Victorian cheek puffs atop a kipper tie — is handed a drink prepared in the kitchen; and at his story's end, when he solemnly climbs to a table neatly laid for one before a backcloth that slides from daylight to night, as is seen through the window of a moving ship. There is a satisfying symmetry in the fact that we have just been watching an artist paint the backcloth and the cooks set the table.

I know little about IOU barring what the programme reveals—namely that they are a Yorkshire-based co-operative of artists and musicians. In this show, part of the ICA's Home Work season of New British theatre, they work as five performers, a pianist who provides a restrained but constant musical backdrop, and two lighting operators to whose lot falls the job of juggling the focus between culinary madcappery (chef drilling coconut or stamping a ledger with grapefruit halves) and deadpan narration.

And so to the narrative, billed helpfully as "a detective story comprising imaginary lives and actual deaths." Its starting point is the remote (though actual) coincidence that in September 1945, the composer Anton Webern was shot by an American army cook called Bell, while on the day of Schubert's death, more than a century earlier, a British boat set sail from Bristol—bearing a cook called Bell.

Of Bell himself little emerges, except that he once gave up his hammock to a nun, shot at least two composers (Mozart, however, was murdered by his own ghost), accepted punishment gracefully and finally turned his gun on himself "in self-defence." As an exploration of the nature of coincidence—and its relevance to the history of art and lit as we know it—the show has a zany logic. As a detective story it signally lacks the ingredient of suspense. As a send-up of the pretentions of literary and musical biography it is a good joke that goes on too long.

Lou Landfield and David Wheeler

Parsifal/Halle aux grains, Toulouse

Ronald Crichton

Nadine Denize and Barry Busse

The Halle aux grains or Cornmarket at Toulouse is a large, round, brick building converted for concerts, big shows and operas needing a bigger stage than the Théâtre du Capitole can offer. There are upwards of 3,000 seats. *Parsifal* is not an obvious choice for opera in the round—a fact that may well have tempted the conductor Michel Plasson and producer Jean-Pierre Ponnelle to stage it there. They have done so with imagination, resource and considerable success.

The result was very different from Wagner's idea of a "stage festival play," or however you translate his description. There was none of the feeling of special veneration, of pilgrimage, still detectable in *Parsifal* performances at Bayreuth and sometimes elsewhere. What came over was a big, popular spectacle on a serious subject, greeted with enthusiasm (no inhibitions at all about applause) and followed with enough concentration to subdue a background of whispering, rustling and munching. No chairs, but padded benches. A backless *Parsifal* is not an experience to be lightly undertaken. One ached, but was gripped.

With no orchestra pit, let alone a sunken one on the Bayreuth model, the effect of the music was greatly altered. No veil, no mystery. The capable Capitole orchestra, strung out in a half-circle, produced a rough blend, not enveloping but warm and forthcoming. Meyerbeerian echoes could be heard creeping round the corridors of Monsalvat. Voices rang out freely. So, when the singers took trouble, did words — the cast being multi-national, German was used. Ponnelle, his own designer, equally conscious of the nearness of the Pyrenees where Wagner imagined the castle of the Graal, and of ancient religious schisms and upheavals, devised a circle of concentric ribs over a raised hexagonal acting area surrounded by Romanesque motifs.

Suspecting no doubt that many of the audience would be seeing their first *Parsifal* and would get next to nothing from the explanations of Gurnemanz, Ponnelle outlines the story in broad strokes, sparing no pains to make meanings clear. Amfortas takes his healing bath not off-stage in the lake but on-stage in a large font serving many purposes during the evening. He stands there stripped to his blood-soaked rags, still wearing his crown. For the suffering king the producer, I thought, shows a certain lack of sympathy.

In the third act the Good Friday radiance is symbolised by lighting the tile-patterned floor-cloth from below. The glow continues through the last scene—during what used to be the transformation the exceedingly geriatric knights clamber and grope, working themselves up during Titurel's funeral music into a grotesque, whirling danse macabre. At the end the healed but expiring Amfortas places the Graal on the stomach of the dead Titurel. He carefully curves a white, lifeless arm round the base but the sacred vessel started to slip all the same, striking a false note after an unusually impressive representation of Parsifal's assumption of leadership.

The second act is uneven. Robbed of the enchantment of distance, the flower-maidens are not wraiths or houris but indubitably human, a bunch of jolly ladies in fancy dress singing with a French forwardness totally unlike German or Anglo-Saxon timbres — the whole chorus had been thoroughly prepared by Marcel Seminara. For the crucial Kundry-Parsifal scene Ponelle uses a stage bare except for the font (now Kundry's bower) and undeviatingly bright light which banishes any hope of magic and throws heavy responsibility on the singers' words.

These demands were not always met by Nadine Denize, a powerful performer, a man-eating Kundry if there ever was one, strong in the lower and middle registers, sometimes piercing at the top. Her intentions were never in doubt for a moment, but I wonder how much newcomers understood of her narration? There was no such difficulty with the American tenor, Barry Busse. He phrased and coloured and timed the words like a national artist. The voice is not large and some notes are hollow, but he uses it sensitively. In appearance he combines coltishness with dignity.

Peter Meven's Gurnemanz, respectable but uncompelling in the first act, grew to full and imposing stature in the third. The contorted, Gothic Amfortas of Heinz Jürgen Demitz was vividly declaimed in strangely raw, unpolished tones. A forceful, conventional Klingsor from Anthony Raffel. Gerolf Scheder's Titurel was more of a presence than most. It was worth the journey to discover how much remains of *Parsifal* when the aura of mystery is torn away.

Howard Jones/Albert Hall

Annalena McAfee

In the fluorescent-trimmed robes of a futuristic Kendo warrior, Howard Jones opened his show on Tuesday with a portentous bit of mime to the accompaniment of space-invaders-style sound effects and a few puffs of smoke. Echoes of 'Sixties multi-media "happenings" — the peace and love tendency rather than the revolution and sex wing — reverberated throughout the evening.

Howard Jones sings of relationships rather than of sex, of emotional rather than physical entanglements, of the passion of idealism rather than the idealisation of passion, and of all the formless yearnings of adolescence.

Stripped of his Kendo robes, he cut an endearingly eccentric figure skipping like a lightweight Hamlet across the stage in Max Wall black, his peroxide pudding-basin hair gleaming in the spotlight.

His innocent soulfulness seems at odds with his area of musical expertise — that of the electronic synthesizer, noted more for its blandness than its sensitivity.

Like Police, he has enjoyed success with his own brand of sanitised reggae, the latest example being "Give me strength." But he enjoys experimenting with different styles, distilling funk, disco and pop into a digestible brew, easy to swallow, not unpleasant but hardly memorable.

In red satin and black lace his backing singers, Afrodiziak, added a gutsy counterpoint to the blithe spirit flitting from synthesizer to synthesizer while percussionist Trevor Morais had several opportunities to show off his indefatigable skills.

But the evening was Jones's. One banner waved by fans declared "Love is Howard" and they could be forgiven their confusion. This nice, caring chap seemed a solar system away from the hip-swivelling ego-maniacal demons of the pop world.

During the show, in a ground floor box illuminated in the darkness, a Restoration comedy was unconsciously enacted as a tall man and a blonde girl drank from an endless stock of bottles, shared cigarettes and perpetually but ineffectually struggled to remove each other's clothes. In the wholesome atmosphere of a Howard Jones concert, this everyday vignette of rock'n'roll life seemed like a visitation from another planet.

Saleroom/Susan Moore

Bow to a Nightingale

The "Nightingale" Amati, a 1661 Cremona violin so-called because of its sweet tone, went well over estimate by selling for £550,000 at Phillips yesterday. It went to a foreign buyer who did admit to being able to play the instrument. A viola made by Petrus Joannes Mantegatia in 1791 also soared, going to an American dealer for twice the estimate, £26,400. An earlier violin bearing an attribution to Giacinto Ruggieri and a date of around 1690, changed hands at £24,200. Its new owner the Japanese dealer H. Kubota also paid £19,800 for a Vincenzo Panormo violin complete with the maker's original label dated London 1810.

Another London-made instrument, a handsome single-manual harpsichord made by Jacob and Abraham Kirckman in 1784, was the largest piece on offer. It passed to London dealer Bingham for just under the bottom estimate, £9,900. This proved an unusually good musical instrument sale for Phillips, with only 3 per cent unsold and a total of £401,258.

Christie's sale of continental furniture was similarly successful. Good prices were found right across the board, with French and Italian pieces attracting particularly competitive bidding. A pair of handsome Italian walnut and marquetry commodes in the manner of Guiseppe Maggolini were the top lot, going for £26,400, triple their estimate. An even better price was secured for an Italian ebony and pietra dura cabinet on stand, its panels decorated with fruiting or flowering branches and sea shells, the central panel flanked by lapis lazuli columns. Estimated at £4-6,000, the cabinet, complete with Medici coats-of-arms, made a princely £18,700.

Conservative estimates had also been given to good, sober French pieces. A kingwood Regence commode with bronze mounts and an even more severe Louis XVI mahogany bureau plat both made £16,500—heartening prices indeed for a market always difficult to predict. The same price—and same estimate, £4-6,000—also secured an elaborate Boulle bureau Mazarin. The 199 lots made £563,343, with 5 per cent unsold.

What has been described as "a masterpiece of mid-4th century numismatic art," a Siculo-Punic tetradachm bearing the head of Dido in Asiatic headdress, was sold at Sotheby's yesterday for £29,700. Of the three known varieties of this coin, the work of a Greek artist, this is the rarest and the only one still in private hands.

Four illustrations to the *Akbarnama* by Abu'l-Fazl, the Mughal emperor Akbar's prime minister and biographer, generated most interest in Sotheby's sale of Indian and Persian miniatures in New York on Wednesday.

It is the most important text on which artists of the Mughal court were working until Akbar's death in 1602, the greater part of which is in the Chester Beatty Library, Dublin and the British Library. The Young Abd-ur-Rahim Khan presented to the Emperor realised $47,300 or £28,155, against an estimate of $15-25,000, while another gouache with gold on paper of Humayun Taking Leave of His Father fetched £20,298.

Arts Week

Continued from Page 14

Exhibitions

PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art more intimate, more pleasing. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4260 3926).

Rembrandt: The exhibition of 341 engravings is exceptional for the proofs showing the stages of Rembrandt's creative process and its imaginative presentation. Landscapes, genre scenes, portraits and autoportraits and biblical scenes testify to the diversity of inspiration and the technical mastery of the painter who was the first to consider engraving as a autonomous artistic expression. Bibliotheque Nationale, 58, Rue Richelieu. Ends May 3 (4703 8126).

Gerard Larguier: the artist celebrates his American inspiration by his choice of themes – American football among others – and by his style – hyper-realism, tempered here by a play of transparencies expressing movement. Jean-Pierre Joubert Gallery, 38 Avenue Matignon. Ends Apr 10 (4562 0715).

Daniel Buren. Having acquired fame with his controversial columns in the Palais Royal gardens, Buren, obsessed with vertical stripes, has taken over the exhibition spaces of the Musée des Arts Décoratifs. The stripes cover everything from a specially erected staircase to china plates and their dressers, from walls to television screens. The colour of the stripes may vary, but the inspiration does not – and the initial surprise turns quickly into a long drawn-out tedium. Musée des Arts Décoratifs, 107 rue de Rivoli (4260 3214). Ends Apr 26.

LONDON

The Royal Academy: British Art in the 20th Century is a major exhibition full of interest yet to some extent misleading. The mistake was to try and give a comprehensive overview of "The Modern Movement" – the show's subtitle. But the subject is just too big and the gaps are obvious. Concentrate on what is there, rather than what is not, and certain strengths in British Art in this century do manifest themselves. The Abstract tradition and its development deserves a show of its own, but here it is the figurative tradition, quietly expressionist, romantic and always idiosyncratic that makes its point. The British do not fit easily into schools and pressure groups of lasting or particular influence, but individuals bear comparison with the best of their foreign peers. From Sickert and Paul Nash, Gwen John, Matthew Smith and Stanley Spencer, to Bacon, Freud and Auerbach, there is much in which to take real pride. Sponsored by BP, the show ends on April 5 and moves to Stuttgart.

WEST GERMANY

Bonn, Städtisches Kunstmuseum, Rathausgasse 7: A retrospective by August Macke (1887-1914). Born in Meschede, Macke studied in Düsseldorf and Berlin under Lovis Corinth. He did much of his work in Bonn, and was responsible for a new art form Rheinische Expressionisten, before the First World War. His journey in the spring of 1914, with Paul Klee and Louis Moillet, to Tunis became a landmark in art history. In the same year he was sent to the front in France, were he died, aged 27 in action in Champagne. Ends May.

ITALY

Venice: Palazzo Grassi: 'The arcimboldo effect': a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade. – Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. – Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertunno, made up of fruit, vegetables and ears of corn. The exhibition contains works by Arcimboldo's predecessors, such as Leonardo, Durer and Posch, as well as those of artists active in the early years of the 20th century. It attempts to draw links. – some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

Rome: Galleria Nazionale D'Arte Moderna (viale Delle Belle Arti): Rome's leading gallery celebrates the reopening of the rooms devoted to twentieth century painting and sculpture with notable foreign acquisitions, such as Cezanne's last work, Le Cabanon De Jourdan and Bruno Mantura's fascinating retrospective of the Italian artist, Domenico Gnoli, who died prematurely in New York, aged 37. Better known outside his home-country, Gnoli was an artist of great subtlety and delicacy, using (in his large canvasses) the techniques of pop art. Gnoli was also a successful theatrical designer, and many of these designs are included amongst the drawings on show. He produced the costumes for Jean-Luis Barrault's La Belle au Bois Dormant in Paris in 1954 and Robert Helpmann's As You Like It at the Old Vic in 1955. Ends April 12.

Milan, Pinacoteca di Brera: Impressionist Paintings from American Museums – 47 works from the splendid collections held by the Metropolitan in New York and the National Gallery in Washington. Includes works by Boudin, Cézanne, Corot, Degas, Van Gogh, Manet, Pissarro, Renoir and many others. Ends May 10.

Rome, Palazzo Braschi (Piazza San Pantaleo): Luis Ducros (1748-1810): Italian landscapes at the time of Goethe. Delightful exhibition of watercolours and coloured engravings (from the Ducros Museum in Lausanne) of the monuments and palace gardens of Rome and those sites around which would have figured in any self-respecting eighteenth century grand tour: Tivoli, Vesuvius, Paestum and Posillipo (Virgilio's Tomb). The exhibition is held in the sumptuous palace which Pope Pius VI built for his family, and on show here is Ducros's account of that same Pope's visit to the reclamation works on the Pontine Marshes in 1783. Ends May 3.

NETHERLANDS

Amsterdam, Nieuwe Kerk. The annual Art and Antiques Fair, this year combined with a special exhibition of Treasures from the Nieuwe Kerk. Ends April 5.

SPAIN

Madrid, Jasper Johns retrospective. Born in 1930, this North American artist, with Rauschenberg, was one of the originators of pop art influencing the course of art for many decades, 100 pieces: paintings, collages, assemblages of objects, plastic, metal and bronze can be seen. Centro de Arte Reina Sofia Santa Isabel 52. Ends April 5.

Madrid, Agustin Ibarrola. Retrospective of Basque artists work, totals 1,000 exhibits: drawings, engravings, oil paintings, cardboards, woodwork of 1950–87. A mural weighting 20 tons and 200 railway tracks carefully and worked on show at the Retiro Park, Palacio de Cristal. Ends April.

NEW YORK

IBM Gallery: This free exhibition space brings to New York shows organised elsewhere, like the present offering of Pacific Island masks and statues from the Tribal Art Centre in Basel and Mexican textiles from 85 tribal weavers. Ends April 25. 57th & Madison.

Museum of Modern Art: The first major retrospective in two decades of Paul Klee includes 250 paintings and watercolours and 30 drawings and prints, some by arrangement with the Klee Foundation in Bern which has rarely lent them (including large-format paintings from his later life). Ends May 5.

WASHINGTON

National Gallery (West Bldg): The Age of Sultan Suleyman the Magnificent explores the height of art and technical development during the Ottoman Empire in 210 16th century manuscripts, silver, gems, kaftans and ceramics. Ends May 17.

CHICAGO

Art Institute: A retrospective of more than 150 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, along with landscapes and informal drawings. Ends April 19.

TOKYO

Paul Gauguin (1848-1903): In Search of Paradise. This large exhibition comprising 151 oils, woodcuts, sketches and some sculpture reflects Japan's love-affair with European Impressionism and Post-Impressionism. The first style of Western art encountered by the Japanese when the country opened up to the West in the late 19th century has remained favourite. Works in this exhibition include those from Gauguin's earliest period, showing much affinity to the style of his contemporary and close friend, Van Gogh, and his mature Tahiti period of bright colours and bold patterns. Note the dramatic contrast between Two Nudes on a Tahitian Beach with the earlier Bathers at Dieppe. There is much evidence of Van Gogh's oriental influence. National Museum of Modern Art, Takebashi, near Otemachi business centre and Imperial Palace Moat. Takebashi station, Kitanomaru Park exit. Refreshments on 4th floor. English labels; detailed English catalogue available. Ends May 17. Closed Mon.

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Telephone: 01-248 8000

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Mrs Thatcher in Moscow

THE COINCIDENCE of Mrs Thatcher's visit to Moscow with Mr Neil Kinnock's visit to the US is a remarkable electoral dividend for the Prime Minister. She is getting five-star treatment from the Russians, while he is getting a rather perfunctory reception from the Americans.

His visit is almost bound to elicit renewed public American criticism of the Labour Party's anti-nuclear defence policy, and thus further damage his party's electoral chances; she can hardly fail to improve her image at home, whether her meetings with Mr Gorbachev project her as peacemaker or pugilist.

Whether Mrs Thatcher's high-profile visit to the Soviet Union really has any great significance going beyond British domestic electoral considerations, however, is an interesting and difficult question. On the face of it, it seems questionable. And yet the Soviet leader is giving Mrs Thatcher almost as much time in private discussions, as if she were the leader of some superpower, rather than the Prime Minister of a middle-sized European power.

It is true that she goes to Moscow armed with a detailed and up-to-date knowledge of the views of President Francois Mitterrand and Chancellor Helmut Kohl, and thus in some indirect sense may be held to speak for Europe. But the central East-West negotiations are the bilateral talks in Geneva between the Soviet Union and the US on nuclear weapons, starting with the Euromissiles. Here Britain and its European partners have no direct role, except in so far as they can exert influence through the intermediary of their American ally.

Soviet revival

Nevertheless, advance indications suggest that Mrs Thatcher's visit will be the scene for at least two Anglo-Soviet arguments on the subject of nuclear arms control; it is likely that she wil engage in both of them with characteristic vigour.

The first of these arguments, and the easier from Mrs Thatcher's point of view, will centre on the very recent Soviet claim that a Euromissile agreement would unavoidably require Britain and France to put their nuclear arsenals on the negotiating table. This is a revival of an old Soviet demand, constantly reiterated during the first Euromissile negotiations of 1981-83, but since explicitly abandoned.

This is a curious change of position by the Russians, because they know for sure that Mrs Thatcher and President Mitterrand will reject it outright without a second thought. The ultimate purpose of the two European strategic nuclear systems is to deter the Soviet Union from attacking Britain and France; no amount of reductions in Euromissiles will remove the need for this deterrent function so long as the Soviet Union's strategic systems remain untouched.

If the two superpowers were to reduce their long-range strategic weapons by 50 per cent, it would be politically difficult for Britain and France not to make some contribution to the arms control process. But for the time being, Moscow seems to have given up hope of a strategic weapons agreement, because President Reagan refuses to make any concessions on Star Wars.

Daunting prospect

The second argument will be much more difficult for Mrs Thatcher to handle, because she is in a very real sense the *demandeur*. At the Reykjavik summit the two leaders agreed to the removal of all Euromissiles from Europe, and to the immediate start of talks on the future of shorter-range nuclear weapons. But although the Soviet Union is still talking of negotiations on shorter range weapons, it is resisting the implication that the two sets of negotiations should be intertwined.

For Nato, the prospect of a free-standing agreement on the complete elimination of all Euromissiles is daunting, because it would further emphasise Europe's vulnerability to Soviet superiority in shorter-range weapons and conventional forces. So the way Mr Gorbachev handles this issue will be a touchstone of his political intentions.

It would be extremely cumbersome to enlarge the Euromissile talks (where agreement virtually exists already) to other missiles and to conventional forces; but no doubt compromises could be found whereby Euromissile cuts, phased over several years, would be made contingent on progress in other areas. If Mr Gorbachev wants to reinforce his pacific image, he will not push his advantage too far.

The management of British science

THE THATCHER Government feels itself to be vulnerable to criticism over the alleged inadequacy of government support for scientific research in Britain. The opposition parties are likely to make some play with the issue in the run-up to a general election. Yet although a key aspect of the debate is the funding of research and development — and there is little disagreement that Britain is lagging behind its international rivals in this respect — the most useful response for the Government would be to improve the management and organisation of the country's scientific effort, so that the money is spent more effectively.

As a proportion of gross domestic product, Britain's spending on research and development, both publicly and privately financed, is similar to that of the other main industrial countries — 2.2 per cent, compared to the same figure for France, 2.5 per cent for West Germany and 2.6 per cent for Japan and the US. In absolute terms, because of its smaller economy, Britain spends appreciably less than these other countries.

In the postwar period, as a reflection of the increased importance of science and technology in business and in everyday life, all the industrial nations have increased resources for R and D. Britain's spending went up by 39 per cent, measured at constant prices, between 1965 and 1983. But the other countries raised spending faster.

Position slipping

There are other disquieting trends. Industry in Britain contributes only about two-fifths of the national R and D bill, a similar proportion as in France, but a lower percentage than in Japan, West Germany and the US, where the figures are 66 per cent, 60 per cent and 50 per cent.

According to most indicators, Britain's position in the world league table for academic research is slipping. The country's spending in this area, as a percentage of gross domestic product, dropped between 1975 and 1982. Spending per head of population is a long way behind that in the US, West Germany and France. It is still slightly ahead of the figure in Japan, although it is likely that this country, which is stepping up expenditure on "pure" R and D, will soon overtake Britain in this respect.

Almost a third of Britain's total annual R and D budget of about £8bn is taken up by military research. Out of the UK Government's research bill, which came to £4.3bn in 1984-85, defence R and D accounted for slightly more than half. If military research is removed from the overall R and D tally, Britain's international position looks decidedly unhealthy.

Difficult choices

The disproportionate size of defence R and D reflects a serious weakness in the machinery of government — the inability to take a strategic view across the spectrum of scientific activity and to make difficult choices between competing disciplines and institutions, all of which have their own lobbies in industry and in government. The lack of a horizontal approach to decision-making is illustrated by the interminable delays in deciding on UK spending on space science and technology, an area which straddles several government departments. Similarly, the five research councils, of which the Science and Engineering Research Council is the biggest, are largely independent bodies fighting their own battles.

The Department of Education and Science, which at least in theory is in charge of the research councils, has an advisory board to recommend how to share out the cash between these organisations. But no one has any real weight in forcing the councils to set priorities between different areas of research and to put management resources behind the disciplines that are most likely to produce good results both in terms of good science and economic benefits. In other areas, too, spending patterns owe too much to history, inertia and lobbying power. It is this organisational weakness which urgently needs to be put right.

Black activist Matthew Goniwe's funeral 20 months ago triggered new repression in South Africa.

Anthony Robinson visits his grave and finds the spirit, if not the reality of opposition undiminished.

Over 50,000 people filled Lingelihle's football stadium for the funeral of four black teachers in June 1985

'Like a dream that never happened'

WHEN THE history of the South African "revolution" is written, the dusty black township of Lingelihle in the Eastern Cape will merit more than a footnote.

Events here on July 21 1985 provided a backdrop for the imposition of a state of emergency which brought to an end the first chapter of the current black revolt.

On that winter Saturday over 50,000 people crammed the township's grassless football stadium for the funeral of four young black teachers who had made the community one of the main centres of organised resistance in the province. The four—Matthew Goniwe, Fort Calata, Sparrow Mkonto and Sicelo Mhlewuli—were waylaid and murdered by a Latin American-style death squad. They have now passed into the popular mythology of the community as "our beloved teachers."

As the army and police watched from their lookout on a bare granite hill above the township, four coffins draped in the black, yellow and green flag of the banned African National Congress (ANC) advanced beneath a cloud of dust towards the assembled mourners. Escorting the coffins, black children in white communion dresses mixed with young men in military-style ANC uniforms carrying wooden facsimile AK-47 assault rifles; white and black bishops in robe and mitre officiated.

The procession moved forward against the backdrop of two huge red flags bearing the hammer and sickle symbol and the words South African Communist Party. From all appearances, the revolution was underway.

It was precisely that dangerously *false* perception that the Government was determined to crush. That night, the same red flags appeared on state-controlled television as President P. W. Botha announced the imposition of a state of emergency, arguing that it was essential to save South Africa from the menace of Communist insurrection.

Earlier this month I returned to Lingelihle to find out whether, nine months into another state of emergency (the first was lifted 10 months after the teachers' deaths) and a few weeks before a whites only general election, the spirit of revolt has indeed been crushed.

A brief telephone call to the late Matthew Goniwe's home fixed the appointment. As my car nosed cautiously along the rutted track and passed the first burnt-out township house, three bare-foot boys darted in front of the car, gesticulated and dived into the back seat.

"Goniwe?" the biggest asked. When I nodded he pointed straight ahead, then left, past the concrete walls of the stadium still daubed with the revolutionary slogans I remembered from the funeral.

We stopped outside a neat bungalow, surrounded by a hedge and herbaceous borders. Both were being carefully watered by a portly, middle-aged man in shorts with dark glasses and a crisp, grey moustache. He was Matthew Goniwe's uncle.

After a polite handshake, I was invited inside to a comfortable, lounge dominated by the photograph of a strong, good-looking young man of about 35 taken in a township street. I note the family resemblance. "Yes, it is Matthew."

The Eastern Cape is rich in martyrs. Steve Biko, driving force behind the black consciousness movement of the 1970s who was killed in police custody ten years ago, was also from this region.

How could I be helped? Well, I would like to meet what remained of the Cradock Residents Association (Cradora) and the other organisations which thrived while Matthew Goniwe and his three friends were still alive. No problem.

We pile into the car, avoid the trenches being dug for new stormwater drains, stop to allow a group of chanting Methodists led in a swaying shuffle by a tall, thin, seemingly oblivious preacher to pass, and tuck the car into a narrow garage beside an unremarkable township house. "You never know when a caspir (armoured car) will turn up and they start asking questions," my guide murmours.

During this brief odyssey through the back streets, suspicious looks from all sides greet the strange car, the white face—surveillance is an important function of the street committees which form the basis of political organisation

Inside two young men stand up. We shake hands in the African fashion—shake, then hand round the thumb, shake again. I don't catch their names. They laugh. "It's better that way. Call me Tom. He's Luke." We sit down. First we flick through photographs taken at the funeral—the red flags, the slogans praising Umkhonto, we Sizwe, the military wing of the ANC, the stewards maintaining order.

"Looking at all this now it seems unreal, like a dream that never happened," the young "comrades" comment quietly. I ask them what happened after the funeral.

"Early next morning they came and detained half the leadership of Cradora and the street committees. The rest went underground. No more public meetings were allowed. But we continued to meet in church halls and people's homes. About 200 were detained, mostly for about three months. Even so our community made the emergency unworkable."

But what about the second state of emergency introduced on June 12 last year?

"The present emergency is more effective. This time not only office bearers but school kids were taken too. Many of the under-18s have been sent to the Department of Education and Training (DET) camp near Kirkwood for indoctrination. Most detainees are still inside but in January some were release. Some have become more active than before."

But as the new stormwater drains, contracts for tarring township roads and a building site for new owner-occupied homes indicate, repression is not the only weapon in the Government's hands.

Having detained the most visible community leaders, the Government is now busy upgrading the township and tackling some of the material grievances which contributed to the development of township political organisation in the first place. A similar strategy is being carried out in townships across the country as millions of rand are poured into long-ignored community development projects.

Luke is dismissive. "They've detained our leaders and now they're trying to boost their puppets, the black local authorities. To give credit to them, they are upgrading, but there is still no black council here in the township, it is being run by a white superintendent."

The state of emergency has also put paid to building links between Lingelihle and the neighbouring white town of Cradock, less than two kilometres away at the closest point. Before the first emergency there were tentative attempts at bridge-building between the communities—an attempt led on the white side by local businessmen hit by a community-organised black consumer boycott.

Now all ties have been broken. "Whites in Cradock are very conservative. It is not like Johannesburg or Cape Town or Port Elizabeth where many whites vote for the Progressive Federal Party (the parliamentary white opposition) and take an interest in the townships. They are very "verkrampte here," says one of my hosts.

Cradock and the other "platteland" towns which have traditionally returned National Party MP's are now the target of a determined electioneering effort by the right wing. The town is festooned with posters announcing the forthcoming visit of Mr Jaap Marais, leader of the ultra-right Herstigte Nasionale Party (HNP). The HNP committee room downtown is plastered with posters proclaiming "This land is our land" and "Remember Rhodesia."

Nevertheless, the echoes of white liberal dissent in faraway Stellenbosch and the big cities are being followed with interest in the township. "It would be encouraging for the progressive movement if the election showed P.W. (Botha) that his membership is slipping away. But we still don't know what kind of 'reform' the independents are talking about. For us 'reform' will only have meaning if they release our leaders, unban the ANC and negotiate."

Meanwhile the detention of older leaders, and the decision to build a camp inside the township for the hated black police —the hastily trained "Kitsconstabels" or "Blackjacks" as they are known—has increased tension.

Those now running the underground street committees are youths in their early twenties. A few are armed. Earlier this month the official police unrest report said three patrols were fired upon one night in the township. The "comrades" say running gun fights, on a small scale, take place most nights.

Since the second emergency was declared at least three residents have been executed by the flaming rubber tyre "necklace" treatment. It is difficult, looking at my youthful, soft-spoken and thoughtful informants, to think that they might be, probably are, judges if not executioners.

Luke, only 22 years old, has finished his high school education. Like most of his contemporaries he has never had a job. But he is the clandestinely-elected leader of the community. He has also taken over as acting publicity officer in the Eastern Cape region for the United Democratic Front (UDF), the anti-apartheid umbrella organisation, following the detention of most of the Front's senior cadres.

It is a similar story in hundreds of townships around the country where detention of leaders has not destroyed organised opposition but merely pushed it underground and into the hands of younger, street-wise activists.

"They detained our leaders. So we sat down, analysed the situation and drew up our new strategy. We decided to train many more leaders in the substructures of the clandestine street committees and continue our work of mass politicisation. Detentions cannot destroy the organisation. The awareness remains and new leaders just take their place."

Whatever the success of "comrades" around the country at keeping community organisations like those in Lingelihle alive, the fact remains that the ANC's aim of turning every township into a no-go area for the authorities—which seemed feasible before the emergency —has proved a pipe-dream.

Equally clear, however, is the evidence from Cradock and other townships that blacks will never be satisfied without a political solution which involves them in decision-making in their communities and the country at large.

On the surface, order has been restored to Lingelihle. But it is a fragile order full of frustration on both sides. As I drove out of Cradock, I asked the black petrol pump attendant how things were. He looked at me quizzically and replied: "Back to normal"—then he hesitated a moment and added, "as they say."

Men and Matters

Breakfast with Lambsdorff

The Flick bribery scandal cost Count Otto Lambsdorff his job as West Germany's economics minister but not, it seems, his reputation abroad.

The effervescent FDP Liberal politician is in Washington visiting most of the movers and shakers in finance, trade and politics—Paul Volcker at the Federal Reserve, Clayton Yeutter, US trade representative, Senator Bill Bradley, the New Jersey Democrat and author of a new global debt relief strategy, and Senator William Roth, the key Republican backer of President Reagan's first tax cut.

Lambsdorff emerged yesterday for a breakfast meeting with reporters at which he was questioned on issues ranging from Mr Gorbachev ("He does not just have a better tailor than his predecessors") the threat of US retaliation against Japan on semi-conductors ("absolutely unjustified,") and the Regan administration's fiscal 1988 budget deficit target of $108bn ("a fairy tale.")

Lambsdorff's English was fluent, his manner charming, his criticism of the Kohl coalition's delay in introducing a new hefty tax cut until 1990 as fierce as ever. So impressive was his performance that nobody had the gall to ask him about the Flick scandal—though perhaps the choice of venue for the meeting said it all: the Watergate Hotel.

New lights

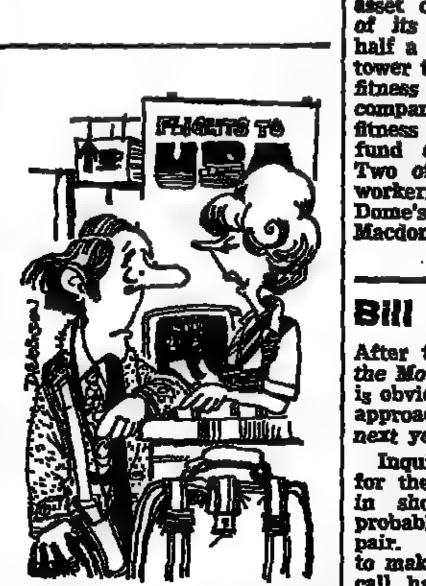
Lucas Industries is not a place for boardroom drama, even if its pension holidays and exit from the Confederation of British Industry have raised eyebrows elsewhere. So Tony Gill was yesterday promising more of the same when he succeeds Sir Godfrey Messervy as chairman and chief executive at the end of July.

Gill has worked closely with Messervy (who will make a clean break from Lucas in the company tradition) in developing the strategy with which Lucas has grappled with its poisoned chalice of being dominant supplier to a declining UK motor industry. "I will be doing no more and no less than he would," Gill said.

He emerged as heir apparent last year when he became deputy chairman as well as group managing director. He was appointed to the latter position in 1984, after four years of sharing the job.

And early tips for the next change at the top, five years hence? Two strong runners must be the new managing directors, Alan Watkins and Bob Dale, born 24 days apart in October 1938, with similar wide-ranging careers since joining Lucas in the early 1960s.

Messervy, off in August to lend a non-executive hand on the Asda-MFI board and as chairman of Costain, foresees that their relationship will be "competitive and co-operative."



"Which class — Economy, Business or Brain Drain?"

Screen test

The BBC, like Mr Gorbachev, is promising to be more open in future; and even the Independent Broadcasting Authority is beginning to wonder whether it should stop being so sensitive.

But the new French broadcasting regulatory body, the Commission Nationale de la Communication et des Libertes, has much more radical ideas on the subject. Next Friday the Commission will hear the final submissions from the two rival candidates for a 50 per cent strike in the French first channel TF-1 now in the process of being privatised.

Not only will the hearings be held in public but they will actually be shown live on television in two sessions — one from 10am to midday and the other from 3pm to 5. The two consortium leaders, Francois Bouygues, head of the large construction company, and Jean-Luc Lagardere, president of Hachette, the publishers, will toss for position.

What all this will do for the ratings of TF-1 next Friday is anyone's guess but when ITV franchises come up for tender in 1992, surely Channel 4 is the place to show it.

Fit to drop

Seeking relief from the stress of low oil prices and protracted debt negotiations has brought at least one benefit for employees of Dome Petroleum, the ailing Western Canadian energy producer with debts of C$6.4bn.

Dome is one of six winners of Canada's 1987 National Employee Fitness Awards, which are given to companies trying hardest to encourage fitness in the workplace. Two of this year's other winners are also hard-pressed Calgary oil companies — the Canadian subsidiaries of Royal Dutch Shell and Texaco.

In contrast to cutbacks and asset disposals in other parts of its business, Dome rented half a floor of a Calgary office tower two years ago to house a fitness and exercise centre. The company publishes a monthly fitness news letter and helps fund employee sports teams. Two of every five head office workers are members. But Dome's burly chairman, Howard Macdonald, has yet to sign up.

Bill and coo

After the financial disaster of the Montreal Olympics, Calgary is obviously adopting a prudent approach to its preparations for next year's Winter Olympics.

Inquiries revealed that doves for the opening ceremony are in short supply and would probably cost around C$50 a pair. So Calgary has decided to make do with pigeons. The call has gone out to pigeon-fanciers throughout Canada to send their best 1,000 young racers for pre-Olympic training in June.

The trouble with pigeons, you see, is that they have been known to refuse to fly in very cold or inclement weather without a strong incentive. And, if they do take off, the organisers do not want them, for obvious reasons, to hover above the crowds for too long.

So a seven-month orientation course has been devised. The pigeons will be introduced to the warmth and birdseed of a custom-built loft near Bassano, 110 kilometres south-east of Calgary. Once they are familiar with such luxury, experts predict that they will not want to hang around Calgary stadium after they are released there. They will also be denied a couple of meals beforehand to help speed them on their way and to reduce the risks of them dropping in on the events.

Observer

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Politics today

Quiet talk about the unthinkable

By Malcolm Rutherford

FOR A FEW hours in the House of Commons on Monday it was possible to believe that all was well with the Labour Party. It was the closing day of the debate on Chancellor Lawson's Budget.

Mr John Smith, shadow Secretary for Trade and Industry, spoke first for Labour. Mr Bryan Gould, who nowadays has all sorts of responsibilities for the organisation of the party as well as a hand in its economic policy, wound up.

It was not that either of them had anything very original to say. It was their self-confidence that stood out. They command the House. The Tories listen to them with a respect that sometimes seems to verge on fear. Above all, they give the impression of competence. It requires no flight of imagination to see them as senior ministers at least as effective as those who now hold office.

At the end of the debate, however, the illusion ended. For that is what it was. Very few people in the Labour Party now believe that it *is* about to take over the government after the general election, whatever the excellence of some of its front-bench spokesmen. The best hope is for a hung parliament with Labour as the largest single party. Much of the talk, though still *sotto voce*, is about what will happen if Mrs Thatcher wins her third successive overall majority.

Yet this is not entirely a recognition of the Labour Party's decline over the years—from around 48 per cent of the vote in the general election of March 1966 to around 28 per cent in 1983. The argument has changed. It is about the possibility of Labour's recovery.

To be sure, the recovery is not generally expected to be great enough to allow Labour to win this time. But there is a hope that it will be sufficient to show that the decline has been reversed. If the party can get back to something like its showing in 1979 when it won 38 per cent of the vote and 269 of the then 635 parliamentary seats, it will be able to say that the 1983 result was an aberration. The turnround in its fortunes will have begun at last. It will be possible to build from there.

In 1983 Labour won 209 seats out of a parliament of 605. If it can get back to above 250, it will still be able to claim to be very much in business. Anything much less than 250, after nearly ten years of Mrs Thatcher, would surely be reckoned a disaster.

Apart from the number of seats won, there is the other question of the percentage share of the vote. Here the Liberal-SDP Alliance trailed Labour very closely last time with around 26 per cent, but only 23 seats. One recent opinion poll has already put the Alliance ahead of Labour in the percentages and it is not inconceivable that other polls will follow as the election approaches. Yet in terms of seats it is still far more likely than not that Labour will beat the Alliance hollow.

All this is described in the Labour Party nowadays as "thinking about the unthinkable", which almost everyone is doing in private but seldom in public.

Recognition is dawning that a divided opposition tends to keep the Conservatives in office

The trouble is that, given the assumption of another Tory majority or even of a hung parliament, there is no easy answer to what happens next. The recognition that a divided opposition tends to keep the Conservatives in office is dawning, but no one has yet decided who will be the prime mover in any further realignment. Will it be a resurgent Labour Party or will the Alliance continue to make advances? Will it be stalemate or can there be a pact?

Mr William Rodgers, a former Labour minister and one of the founding members of the SDP, wrote recently in the magazine, the New Democrat, of a possible triple alliance between the SDP, the Liberals, and a section of the Labour Party. "The Alliance," he said, "would consider becoming a partnership of three if a schism in the Labour Party made such a further realignment of the centre-left a possibility."

He has since shut up and says that the question should rest until after the general election. Mr Rodgers is, incidentally, the SDP candidate for Milton Keynes, a constituency that the Alliance needs to win if it is serious about its claim of being the wave of the future, just as Mrs Shirley Williams, another founding member, needs to win Cambridge. The process of any further realignment may depend quite a lot on whether those two people return to parliament. It will not look good if they are rejected by a new town in the south and a university town with a science park.

Mr Rodgers's decision to say no more for the time being, however, is a sign of how big the problem of further realignment is. Not the least of it is to do with personalities. In the same article he wrote of a group of Labour ministers who in 1977 under the banner of the Campaign for Labour Victory made the "last, best attempt to save Labour from the worst of itself." They included Mr Merlyn Rees, Mr Roy Mason, Mr John Smith, Mr Eric Varley and "above all" Mr Roy Hattersley.

Of that group perhaps only Mr Smith and Mr Hattersley still matter in the sense that they will have a say in the political future. But they matter a great deal. Mr Rodgers writes of them: "It is part of history that they chose to slip away when the going became tough." In other words, they decided to stay in the Labour Party.

Yet Mr Smith and Mr Hattersley could make precisely the same comment about Mr Rodgers, Mrs Williams and Dr David Owen. It was *they* who slipped away by going off to found the SDP.

The argument has not yet been resolved by time, nor will it necessarily be resolved by the result of the next general election. If the Labour Party does *considerably better than* in 1983 and wins upwards of 250 seats, it will be able to say that the reform process is well under way. Mr Neil Kinnock, as leader, will have shown what can be done by standing up to the Militant Tendency and the loony left and by winning control of the party's national executive committee. It will be a matter of going on from there. Mr Kinnock, after all, is young enough to survive an initial defeat and if he did not have the stomach for a further fight, Mr Hattersley might.

Nor would a party that includes such figures as Mr Smith and Mr Gould be a negligible force. There would be a battle with the left, of course — almost everybody says that — as the left claimed that Labour lost because it had abandoned socialism. But it would not be a battle that the left would be bound to win. On the contrary, it is more likely that the far left would be finally routed. The parliamentary party would assert itself. It would seek to lead the annual party conference rather than be dominated by it. There might be an emergence of municipal socialism led by people like Mr David Blunkett from Sheffield and others from northern England and Scotland who have never succumbed to the wilder tendencies. The shaping of a Labour Party mark 3 could have begun. (The Labour mark 2 was what some people unkindly called the Social Democrats).

What would the Alliance do then? The first answer is that it still has problems of its own. It is by no means certain that there will be a merger of the Liberal and Social Democratic Parties once the election is out of the way. Dr Owen, for one, remains very reluctant about it. Yet if there is not a merger, where does the Alliance go next? It can hardly wish to continue rather like the old Liberal Party writ large, doing well in by-elections, increasing its percentage share of the vote, yet never making the required breakthrough in terms of seats. Or perhaps it can. The real answer is that nobody knows. It will take the election to find out.

The one new factor, discernible in the last few weeks, is a willingness among supporters of both Labour and the Alliance to talk quietly about a possible minimum common programme, should the election go badly for the pair of them. The trouble is, however, that such thinking is unlikely to come to anything unless there is an agreement between the opposition parties to stand down in favour of each other in certain constituencies. The Conservatives can rest easy. The chances of that happening in the foreseeable future are remote, for it would mean that Labour had thrown in the sponge as the country's official opposition or that the Alliance had dropped its hopes of taking over that role. The deadlock between the opposition parties seems set to continue for a while yet.

Meanwhile, Mrs Thatcher seems to me to have made a mistake in saying that the timing of the general election will be at least partly dependent on the results of the local elections on May 7. Local elections are notoriously difficult to interpret. The turnout is low and they are not held everywhere. Almost inevitably it means that we are in for another period of speculation about whether the results are good enough to justify going to the country in June or early July. The Prime Minister will look awfully foolish if the results are bad and so will Mr Norman Tebbit, the party chairman. It would have been better to have kept quiet.

Nor can one see much point in attacking the Alliance as if it were just another brand of socialism when manifestly the electorate can see that it is not. Perhaps she thinks, as I do, that the Tories will win almost whatever happens, though it would be dishonest not to record here that recently I have been struck by the jitters in the Conservative camp. They come from fears of the Alliance.

Dr Owen and Mr Hattersley: who slipped away when the going became tough?

Lombard

Why the mould is breaking up

By Patrick Cockburn in Moscow

OVER THE last six months Soviet citizens in Moscow and foreign ministries across the world have for once asked exactly the same question: are Mr Mikhail Gorbachev's reforms reversible? How far is the Soviet Union really changing?

The Soviet intelligentsia is fulsome and vocal in its praise of the much greater freedom of expression under Mr Gorbachev but the political changes have so far only really affected the top of the Communist Party. The new economic methods are only now being introduced.

But this focus on the speed at which policies are implemented, often taken as an indicator of the reality of change, misses the main reasons for believing that Mr Gorbachev's reforms are indeed irreversible and that the Soviet Union is breaking from the mould created in the 1930s.

Chief among them is the enormous social change in the country during Mr Brezhnev's 18 years in power, the significance of which was masked by the unchanging faces at the top over the same period. The tendency of the Western media to magnify all Soviet failures and minimise all successes contributed to the vision of a static or crumbling society.

Equally misleading is over-concentration on the personalities of the leadership. What makes 282m Russians tick, after all, is not some mechanism located in the Politburo, but the country's history, traditions, culture, economy and international environment — all of which have developed and changed in the last quarter century.

The shift of people from the villages to the cities, the spread of higher education, a rapid increase in living standards and the rise of a generation which has known neither famine nor war all mark a break with the past greater in its effect on the lives of ordinary people than the perestroika (restructuring) and glasnost (openness) advocated by Mr Gorbachev.

Lenin and Stalin created a Communist Party and state machine which in effect substituted itself for society. Owing as much to Clausewitz as Marx in its organisation, it concentrated all the political and economic resources of a very backward country to achieve, regardless of cost, such ends as industrialisation and winning the war against Germany.

The most important reason for believing Mr Gorbachev's reforms will succeed is that the social and economic development of the country has already tipped the balance between society and state in favour of the former. The Communist Party under Mr Brezhnev had already ceased to exercise the control over the country it possessed under Stalin and had become more like a Tammany Hall machine in which resources were allocated to different interest groups according to their political clout.

As a result Mr Gorbachev, for all the talk of decentralisation, has spent much of the last two years clawing back political power to the centre from the political barons who held sway during the Brezhnev era. The speed of his success stems largely from the obsolescence of the old political system, evident today in a way that it was not in 1964 when Khrushchev was overthrown.

Compared to Mr Krushchev, whose name is beginning to emerge from the shadows here, the new leadership has another advantage which makes it easier to implement change. The cold war in the 1950s and 1960s reinforced the conservatives within the Soviet Union. Yet Moscow achieved strategic parity in the late 1960s when it developed its intercontinental ballistic missile force. The burden of sustaining superpower competition is no longer the obstacle to liberalisation and reform that it was in the past.

Cynicism about the reality of present political and economic reforms ignores the developments in Soviet society which have already occurred. The real strength of Mr Gorbachev is that he is the product as well as the advocate of change.

Letters to the Editor

Corporation tax

From the Chairman, P. J. Edmonds.

Sir,—Companies trading before corporation tax was introduced in 1965 pay their tax 21 months after the end of their accounting period. There is a proposal in the Budget to end this concession to prevent an abuse, whereby large companies have recently been injecting their businesses into such pre-1965 companies so benefiting from the longer payment interval.

In attempting to stop this recently fashionable tax avoidance, the Chancellor is hitting innocent companies hard. Although the proposed charge is to be phased in over three years, this still means four lots of corporation tax having to be paid in three years, with the consequent adverse effect on cash flow.

May we suggest two alternative methods of overcoming the problem of this abuse? Exempt from this proposed charge those companies which qualify under the Small Companies Rate (FA 1972, s95). There then need be no phasing-in period, so the large companies that have abused the system will not benefit over the proposed three years, yielding an acceleration of tax revenue. The proposed charge should only apply when there has been a large increase in the share capital of the pre-1965 company.

There has been much mention of help for smaller businesses but in fact recent Finance Acts have done very little to help the small but expanding company. This latest proposal would be an unfair burden to impose on the section of industry the Government most lays claim to support. In attempting to net a few sharks this measure will hurt hundreds of smaller innocent fish, but the above alternatives achieve the same purpose without adverse effects on others.

D. Bass.
Itchen Abbas,
Winchester, Hants.

The Thatcher years

From Mr S. Clark.

Sir,—In his survey (March 24) of the Thatcher years, Samuel Brittan is too kind to the Government. He argues, correctly, that the mechanisms of the free market are still little understood, but still counts "privatisation as a net gain."

With the policy of privatising monopolies without introducing effective competition, the Government frittered the best chance of making the free market comprehensible and popular. Instead of creating competitive forces in the markets for energy and telecommunications, the Government has been content with changing public monopolies into private ones. With such an approach to what has probably been the most high-profile policy of this administration, is it surprising that the British public does not take competition seriously?

Simon Clark.
United Oxford & Cambridge University Club,
71, Pall Mall, SW1.

True and fair

From the Secretary Designate, Chartered Association of Certified Accountants

Sir,—The article "How true and fair can the view be," by Michael Skapinker (March 25) was concerned with attitudes towards the conflicts of interest which would arise when auditing firms also carried out management consultancy work for their clients. In the opinion of this association the fears expressed by respondents to the survey carried out on behalf of PA Management Consultants are totally without justification. The association's rules of professional conduct, in common with those of the other professional accountancy bodies, are designed to safeguard the independence of the auditor and there is no evidence to show that these rules are not adequate to deal with situations where a potential conflict of interest exists.

We believe that the effectiveness of a management consultancy exercise can often be enhanced as a result of the extra knowledge of a client's affairs obtained through the audit relationship. Smaller businesses, in particular, look to practising accountants to provide a comprehensive service of professional assistance covering not only auditing but also advice on the provision and management of financial resources. Many of these smaller businesses are unable to afford the services of a separate management consultant and any move to prohibit auditing firms from performing additional services would deprive them of a valuable source of expertise.

Andrew W. Sansom.
29 Lincoln's Inn Fields, WC2.

Monetary values attached to time saving and safety

From Professor M. Jones-Lee.

Sir, — The Department of Transport (DTp) recently announced proposals to increase the monetary values that it attaches to time-savings and safety-improvements in the appraisal of prospective transport projects. These increases follow the completion of research programmes funded by the DTp and carried out by various academic and related bodies.

The research on the value of safety, in particular, was undertaken by a team at the University of Newcastle upon Tyne, of which I was a co-director. Briefly, the aim of our research was to obtain empirical estimates of the amounts that individuals would be willing to pay for (typically small) improvements in their own and others' transport safety. Overall values of safety-improvement are then defined in terms of the aggregate of individual willingness to pay, the rationale being that this aggregate is a clear reflection of the value placed upon the safety-improvement by those affected by it. This approach contrasts sharply with that currently used by the DTp which effectively ignores individual preferences and attitudes to safety and focuses primarily upon the impact of safety improvement on future streams of output and income, thereby treating individuals as little more than productive capital equipment. It is now widely acknowledged that the "willingness-to-pay" approach is, in principal, markedly superior to the output-based method. The main difficulty in applying the approach lies, of course, in obtaining reliable empirical estimates of individual willingness to pay. The approach that we adopted was, in fact, based upon a nationally representative sample survey carried out on our behalf by NOP.

In Appendix 13 of a report published on March 19 and the DTp states that "The available evidence would support the case for some increase above the present value; but it does not give reliable guidance on what this increase should be." As a result, the DTp recommends that the value of avoidance of one fatality should be increased from its present level of £180,330 to £252,500 so as to ". . . ensure that, for the present, the existing overall balance between the benefits of road investment from journey time savings and from accident savings is maintained."

I believe that it is important that the public should be aware that in my opinion and that of my co-researchers, the results of our study were adequately reliable to permit the inference of at least the broad order of magnitude of an aggregate willingess to pay-based value of avoidance of a fatality. The recommendation contained in our report to the DTp was, in fact, that the value should be ". . . at least £500.000 with a value of about £750,000 warranted by consideration of median responses and a value of about £2m by . . . means."

Our assessment of the reliability of our results appears to be shared by at least some respected professional colleagues in that a paper summarising the research and results was accepted for publication by the Economic Journal following the usual refereeing process. It is perhaps also worth pointing out that a report to the US Environmental Protection Agency, published in 1983, concluded that in the light of all the then available evidence (which did not include our results), the lower bound to the willingness to pay-based value of avoidance of a fatality should be in the range of $400,000 to $600,000 in 1982 US dollars.

The inexorable conclusion of all this is that even following the increase, the DTp's value of safety is still an alarmingly low fraction of what it should be, given the available evidence and entails *inter alia* that motorists would, on average, be willing to pay no more than £2.53 per annum for a 10 per cent reduction in the annual risk of a fatal car accident. That seems implausible, to say the least. In short, the DTp's dismissal of the recommendations in our report will almost inevitably result in higher accident rates than would have been the case if the recommendations had been heeded. I hope those responsible for the conclusion that our research ". . . does not give reliable guidance . . ." feel that they had good grounds for their judgement. I, for one, do not.

(Professor) Michael Jones-Lee.
The University,
Newcastle upon Tyne.

FINANCIAL TIMES

Friday March 27 1987

David White reports as the case of Spain's toxic syndrome disaster finally reaches court

A country's reputation goes on trial

IT STARTED one day in May, six years ago, when an eight-year-old boy died at Torrejon de Ardoz, outside Madrid, of what doctors diagnosed as an odd kind of pneumonia. Between then and the end of 1985, the "toxic syndrome" killed 386 people, according to the official figure. Unofficially, it is reckoned to have caused the death of at least 584 – a bigger toll than 15 years of ETA terrorism in the Basque country – and to have affected more than 24,000 others.

The trial finally begins on Monday of the people alleged to have made a business of the illegally-treated rapeseed oil which the prosecution says caused the disaster. The oil, imported from France, was destined for use in the steel industry. It had been laced with aniline – a coal tar extract – making it unfit for household use. But there were chemists who thought they had a way of removing the aniline. Through a network which also involved wholesalers, warehousemen, retailers and hawkers, the oil was sold mainly in poor areas of old and new Castile, Galicia and the Madrid suburbs.

Of the 41 defendants, two have disappeared. Prosecutors are seeking prison terms for 27 of the others, ranging from four months to a total of more than 10,000 years for each of the eight main accused, who are charged with offences against public health, manslaughter, bodily harm and fraud.

The trial will be held in a specially refurbished exhibition hall in western Madrid. It is being hailed as Spain's "trial of the century" because of the sheer scale of the event: 20,000 victims represented, 250,000 pages of legal documents, and an expected 2,500 witnesses. After all the delay, the Spanish people are anxious for the case to be finally cleared up.

The lethal toxin has still not been identified. While most evidence points to the cut-price oil as the killer, other hypotheses have been put forward, from lettuce leaves to the material from which frying pans are made. Most of these ideas have been discarded but a case is still made for blaming the catastrophe on pesticides rather than the rapeseed oil.

Another question is responsibility on the part of the centrist UCD government of the time. This is not due to come to trial until a separate legal investigation is completed. The authorities are accused of negligence, omissions and irregularities in the affair. Private prosecution lawyers want to bring in Mr

Mr Felipe Gonzalez

Felipe Gonzalez and Mr Alfonso Guerra, now Spain's Prime Minister and Deputy Prime Minister, by getting them to repeat charges they made when in opposition.

It appears the authorities knew that cooking oil was sometimes adulterated, but took no action because they thought it was on a small scale.

The imported rapeseed oil network was discovered two months after the first death. Only when 30 had died and 3,000 were in hospital did the health authorities issue a warning about cooking oil sold in bulk in the streets. And only when there were already 10,000 cases was rapeseed oil confirmed as the suspected cause.

What the case brings into focus is not just the toxic syndrome, but a Spanish syndrome: the reputation, which the country is trying to overcome, for lax standards, stemming either from inadequate legislation or poor enforcement, in health and other areas such as household safety standards, fire precautions, trade descriptions and pollution control.

Since the toxic syndrome broke out, other smaller scandals have surfaced, such as a fraud in the labeling of ham – a product which Spain cannot export to Europe because of African swine fever. Outbreaks of mass mayonnaise poisoning at schools, wedding feasts and army barracks are regular summer news items. In the vast resort of Benidorm, it is common knowledge that tourists are routinely served with moonshine rum.

This bad name in hygiene and safety exposes Spain to instant attack whenever a suspected lack of standards is seen to affect holidaymakers (not to mention animals – witness the recent press furore in Britain about Blackie, the donkey that was "saved" from the supposedly murderous intentions of revelling villagers). It can also affect exports, as it did for the olive oil business in the wake of the toxic syndrome disaster. For this reason, food standards are sometimes higher for exports than for the home market.

Membership of the EEC and the need to conform to Community rules can be expected to improve practices in many fields. Before entry, the Spanish Government invited an inspection of the sanitary conditions in slaughterhouses. Of the eight centres inspected, none complied with EEC standards. Since then, legislation on abattoirs has been harmonised.

Rulings are often not enough, however. Last October, the Catalan regional authorities, one step ahead of the national government, issued an order that blood banks should carry out systematic AIDS tests on donated blood. Four months later, it emerged, Barcelona's second largest social security hospital had failed to implement the tests. As a result, at least two people are known to have become carriers of the AIDS virus through blood transfusions. A senior Spanish health official was quoted recently as saying that, with fewer than 300 cases to date, AIDS was "not a serious problem in Spain."

Chinese budget provides for 7% growth

BY ROBERT THOMSON IN PEKING

THE Chinese Government yesterday produced a budget for the year that balances conservative political demands for "thrift" with the need for genuine production increases to prove the worth of the current economic reform programme.

While speeches by two senior Government ministers yesterday emphasised the importance of belt-tightening and outlined significant cuts in spending, the state plan provides for economic growth this year of 7 per cent and a surprisingly high budget deficit of 8bn yuan ($2.16bn).

Diplomats say the Government was embarrassed by last year's budget deficit of 7bn yuan, the highest since 1980. State spending was 7 per cent over budget last year, and diplomats suggest that the planned deficit is an inevitable result of attempting to satisfy the conflicting demands of conservatives and reformers in the Communist Party.

Song Ping, minister in charge of the state planning commission, and Wang Bingqian, finance minister, both attacked "wasteful spending," and condemned "lax financial discipline." Wang drew attention to a big rise in economic crime: "Some people evaded taxes, retained a larger share of profits than they were entitled to, and diverted state funds for other uses than prescribed."

Song Ping condemned "irrational" investment that had led to "too many projects in processing industries and too many luxury hotels, guest houses, hotels, vacation resorts and tall buildings," among other things. The Government is particularly concerned by the cost of servicing wasteful projects already underway.

Yet the Government is to increase foreign borrowing almost twofold, with $3.8bn planned for this year, from $2bn last year. The figure apparently represents only government-to-government borrowing. China's total foreign borrowing last year was about $5bn.

The political cost of higher inflation was shown in a 30 per cent increase in Government funds for subsidies set aside to cover price rises. Inflation last year was officially 6 per cent, but diplomats believe the actual figure was at least twice as high, and Zhao Ziyang, the Chinese Premier, warned this week that price rises were a major threat to reform.

Concern among conservative leaders was reflected in a renewed emphasis on the importance of grain production, and the introduction of land taxes to stop farmers from building on farming land. The state budget provides for a 33 per cent increase in investment in agriculture, while administration spending is to be reduced by 10 per cent.

Song Ping foreshadowed tighter import controls in an attempt to reduce last year's deficit of $12bn, and he played up the conservative theme of "self-reliance."

"We must develop our own import substitutes of improved quality. We must refrain from importing equipment that we can produce ourselves, even if the domestic product is of lesser quality and somewhat more expensive," he said.

The Government is trying to dampen demand, fearing that the continuing consumer drive will raise expectations far beyond the country's ability to supply, and will eventually cause disillusionment with reform. Wage-restraint was urged, and Mr Song pointed out that last year the average wage rose 16 per cent, while productivity rose 4 per cent.

The speeches pushed the fanciful "magic weapon" theme raised by Zhao Ziyang, that is, reduced spending, increased revenue, and increased production.

Gatt forecasts slower world trade growth

BY WILLIAM DULLFORCE IN GENEVA

THE FAILURE of the world's three biggest trading nations, the US, West Germany and Japan, to adjust their economic policies in line with last year's exchange rate changes prevented reductions in their current account imbalances and is handicapping efforts to restore world trade to healthy growth.

This is the central message in the assessment of the latest trade developments published today by the secretariat of the General Agreement on Tariffs and Trade (Gatt), the world trade organisation.

Gatt foresees a slackening in the growth in volume of world trade to 2.5 per cent this year from the 3.5 per cent annual rates recorded in the two preceding years. The 1986 increase was lower than predicted by the Gatt secretariat in March last year and incorporated "one of the poorest performances in three decades" by trade in manufactured goods.

Recovery in both output and trade from the 1982 recession has been weaker than during the first four years of the three preceding recoveries from economic troughs, Gatt points out.

It would be mistaken, it adds, to ignore the likelihood that the slower recovery reflects a "growing mismatch" between adjustment needs and political capacity to adjust, or that the inadequate pace of adjustments results from market rigidities produced by trade barriers

The Gatt secretariat is puzzled by the persistence of the large US trade deficit which reached $170bn last year, and of the German and Japanese surpluses. It suggests that in the US lack of managerial innovation, inadequate training, low labour mobility and rigidities in the wage structure could also be delaying adjustment.

However, Mr Richard Blackhurst, chief economist, emphasised yesterday that some combination of a higher savings rate and a smaller federal budget deficit remained the key to curbing the US trade deficit

Among "areas of concern" identified in the Gatt report is the danger that a continuation of the large US current account deficit could still trigger a tit-for-tat escalation in protection and lead to a massive shrinking of markets worldwide.

Echoing recent statements by Mr Clayton Yeutter, the US Trade Representative, on trade legislation before the US Congress, Gatt said there was no reason to believe that higher trade barriers would increase savings, reduce investment or noticeably lower the Federal budget deficit.

BP offers $7.4bn

Continued from Page 1

bert Horton, a BP managing director as chairman and chief executive of the US company. His vigorous programme of reorganisation and cuts cost $844m in extraordinary write-downs last year.

BP acquired its majority interest in Standard in 1978 in exchange for the rights to a huge new oilfield at Prudhoe Bay in Alaska, discovered by BP 10 years earlier.

● William Hall in New York writes: Several analysts said that the offer was fair but suggested that BP might be forced to sweeten its bid. Mr Sanford Margoshes, an analyst at Shearson Lehman Brothers, said that a $2 increase in the bid might be necessary to win control.

Mr David Simon, a managing director of BP, said at a press conference in New York that Standard's shares had been more than fully valued by the stock market in recent weeks

Mr Geoffrey T. Boisi, a partner of Goldman Sachs, BP's financial adviser, said that the offer valued Standard at 7.2 times 1986 cash flow and noted that Royal Dutch/Shell only paid 5.1 times cash flow when it bought out the minority shareholding in its Shell oil subsidiary two years ago.

Mr Boisi also noted that the offer was at a premium of 56 per cent over the value placed on the company by J.S. Herold.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	15	59	Dubrovnik	C	13	55	Malta	S	18	64	Rhodes	S	16	61
Algiers	F	21	70	Edinburgh	F	7	45	Manchester	C	10	50	Rio de J'o	—	—	—
Amsterdam	C	10	50	Faro	S	17	63	Manila	S	36	97	Rome	F	19	67
Athens	S	15	59	Florence	F	16	61	Melbourne	S	18	64	Salzburg	C	11	52
Bahrain	R	25	77	Frankfurt	S	11	52	Mexico City	S	30	86	San Francisco	S	8	46
Bangkok	S	34	93	Funchal	S	17	63	Miami	F	23	73	Seoul	S	5	41
Barcelona	C	15	59	Geneva	S	15	59	Milan	F	13	55	Singapore	F	31	88
Beirut	C	20	68	Gibraltar	F	20	68	Montreal	R	6	43	Stockholm	C	1	34
Belfast	C	7	45	Glasgow	C	7	45	Moscow	C	-2	28	Strasbourg	F	12	54
Belgrade	F	18	64	Guernsey	F	10	50	Munich	C	11	52	Sydney	S	25	77
Berlin	C	8	46	Helsinki	S	1	34	Nairobi	F	28	82	Taipei	C	17	63
Biarritz	F	13	55	H. Kong	C	15	59	Naples	F	18	64	Tangier	F	19	66
Bombay	S	33	91	Innsbruck	F	15	59	Nassau	S	28	88	Tel Aviv	C	21	70
Bordeaux	F	13	55	Inverness	F	7	45	New Delhi	S	35	95	Tenerife	C	20	68
Brussels	F	10	50	Islamabad	S	25	77	New York	C	21	70	Tokyo	C	10	50
Budapest	S	15	59	Istanbul	S	9	48	Nice	S	16	61	Toronto	C	5	41
B. Aires	C	28	78	Jakarta	R	33	91	Nicosia	S	17	63	Tunis	F	22	72
Cairo	F	19	66	Jersey	F	11	52	Oporto	S	13	55	Valencia	S	18	64
Cape Town	S	29	84	Jo'burg	Th	20	68	Oslo	Sn	0	32	Venice	C	12	54
Caracas	C	32	90	Lima	S	27	88	Paris	S	15	59	Vienna	R	15	59
Casablanca	C	18	64	Lisbon	—	16	61	Peking	S	12	54	Warsaw	C	5	41
Chicago	C	8	46	London	C	12	54	Prague	R	11	52	Washington	S	13	55
Cologne	F	11	52	Los Angeles	S	11	52	Reykjavik	F	3	37	Zurich	C	8	46
Copenhagen	C	5	41	Luxembourg	F	11	52								
Corfu	S	16	61	Madrid	S	15	59								
Dallas	F	8	46	Majorca	F	16	61								
Dublin	R	8	46	Malaga	—	—	—								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Libyans quit Chad

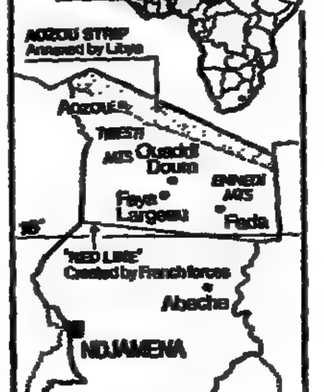
Continued from Page 1

President Habré. This left the Libyans exposed and transformed the long running civil war into an international conflict.

However, the Libyan forces suffered a dramatic reversal on January 2 when Chadian forces recaptured the important base of Fada in the Ennedi mountains in north-eastern Chad.

Libyan troops were unable to retaliate except for a couple of ineffective high altitude bombing raids south of the 16th parallel – the "red line" drawn by France in 1983 dividing the Libyan-controlled north and the French-controlled south.

In recent weeks there has been a substantial build-up of Libyan troops and arms in preparation for another offensive which was pre-empted by the Chadians.



It seems likely that the highly mobile and fiercely motivated Chadian troops will pursue the Libyan column as it makes a 500 mile retreat north through hostile territory and difficult desert terrain.

It also remains to be seen whether the Chadian troops will attempt to capitalise on their military and psychological advantage to try and recapture the Aouzou Strip which Libya annexed in 1973.

Although the 1,000 mile band of Chadian territory in the Tibesti mountains adjoining Libya's southern border is virtually uninhabited, it reportedly contains uranium and other mineral wealth.

The Chadian military successes have been achieved without direct French military support, observers point out. There are an estimated 2,400 French troops in Chad but all stationed below the 16th parallel. The French troops, despatched in February 1986 as part of Operation Sparrowhawk, have played an important logistical role helping to keep the Chadian troops supplied with fuel, arms and food.

French reconnaissance aircraft and radar equipment have also provided valuable military intelligence.

The US is considering increasing its military aid in addition to the $15m of military equipment already supplied. Apart from a few personnel for equipment training and maintenance the US has no military advisers in Chad, according to the State Department.

Philippines close to agreement on debt

By Anatole Kaletsky in New York

MR JAIME ONGPIN, the Philippines Finance Minister, said yesterday that he was "very close" to an agreement on the rescheduling of his country's $9.3bn of commercial bank debts, after four weeks of tough and sometime acrimonious negotiations.

But Mr Ongpin has been forced to reconsider a novel proposal for swapping part of his country's interest payments into equity investments. He also looks like paying an interest rate significantly above the level which had been seen as the limit for political acceptance in Manila.

Mr Ongpin had put forward an original proposal for Philippine Investment Notes, or PINs, as a way of closing what looked like being an unbridgeable gap over interest margins between the government and its creditors.

PINs were to be special financial instruments convertible on advantageous terms into equity investments and banks which accepted PINs in lieu of part of their interest would have received a somewhat higher margin than those which insisted on full interest payments in cash.

The banks have flatly rejected this approach, despite three attempts by the Philippines to meet their objections with sweetened terms.

As a result Manila will now be forced to sign an agreement with a margin of at least ⅞ percent over London Inter-Bank Offered Rate (Libor) and possibly as high as 1 per cent – an outcome which could prove deeply embarrassing for Mr Ongpin and the economically orthodox faction within President Corazon Aquino's government.

PINs in a modified form will still be "an important element in the transaction", according to a statement issued yesterday by Manufacturers Hanover Trust, the lead bank in the negotiations.

However, the new PINs will not reduce the cash interest rate on offer to the banks. Instead banks will now be credited with their full interest in cash but will be invited to convert some of this money into PINs on a voluntary basis.

Mr Ongpin believes the terms for PINs will prove attractive enough to ensure substantial conversions, provided the hoped-for flow of international equity investment into the Philippines materialises.

Mr Ongpin pointed out that he had found strong foreign interest in Manila's $5bn privatisation programme, that US and Japanese multinationals were increasing their investment in the Philippines and that international banks were currently negotiating to buy at least six Philippines banks.

A syndicate of leading New York investment banks was being organised to make a market in PINs. One of these investment banks had already stated its eagerness to buy $45m worth of PINs for itself and its clients, according to Mr Ongpin.

Nevertheless, even if the new form of PINs win market acceptance, the deal now under negotiation in New York looks like a personal setback for Mr Ongpin. He had left Manila intent on negotiating a margin no higher than ⅝ per cent.

THE LEX COLUMN

Strange the change, major to minor

BP's treatment of Standard Oil over the past year seems to break all the rules of acquisition policy. This demands that a company with bad management is bought on the cheap, and then the bidder gains value through rationalisation.

BP instead sent its brightest and best to shake up Standard, and is now offering to pay a price which already reflects the benefits of new management.

BP can at least claim that it has thus been more than fair to the minority shareholders in Standard. But it is most unlikely that gratitude will be the response. Yesterday Standard's share price rose by almost $7 to $71½, which suggests that the higher offer which BP says will not be forthcoming will be necessary to vacuum up the outstanding equity.

The sharp rise in BP's shares yesterday will doubtless be cited by minority shareholders as evidence that the deal as currently priced favours the parent rather than the subsidiary.

It appears to involve an immediate enhancement in BP's earnings per share, quite aside from the benefits for BP of access to about $2bn a year of cash flow.

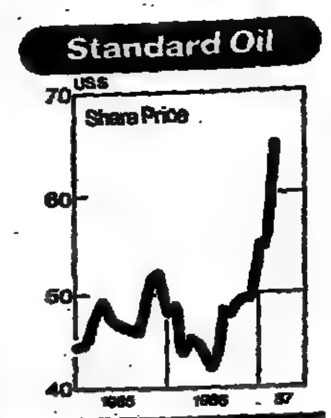
Clearly BP is attempting to wrap up the matter as quickly as possible, to minimise the time for opposition. There is no equity component in the offer – although this may also have been ruled out by the imminent sale of HMG's 32 per cent holding in the company. And the time scale is the three weeks of a tender offer, rather than the longer period involved in a full bid for the minority.

BP states boldly that its valuation of Standard is based on the assumption that the oil price will be at $18 in real terms for the foreseeable future.

That is very realistic, but gives a dangerous hostage to Wall Street, which appears to believe in still higher oil prices.

In such a litigious environment the independent directors of Standard will find it very difficult to announce that they accept the BP valuation.

The timing of the deal is easy to understand from the point of view of the evolution of BP. It has sorted out its downstream problems, has the balance sheet to stand the debt, and has ruled out every other reasonable oil acquisition around.



Meanwhile, Standard Oil was writing off $6bn to worthless holes in the ground. And after 18 years BP has finally admitted that it makes the best sense to have one US oil company, rather than two in competition.

United Newspapers

However predictable and excusable it may be, a fall in earnings per share is psychologically difficult for the market to accomodate. Most people had expected worse dilution from United Newspapers than it actually reported, yet the shares dropped 18p on the results as if they had delivered an unpleasant surprise. The United pattern is of static per-share earnings since 1984, the precipitate of so much acquisition and reconstruction.

At 490p the shares are on 20 times last year's earnings, but perhaps no more than 14 times the forecasts for 1987. The portfolio of unifying businesses and investments has been substantially turned into the capital for rationalising production of the Express, and by the time United has finished that job – moving to direct input, and to a more efficient printing configuration – it will doubtless have gone through its Reuters "A" shares and sold off the black glass Bastille in Fleet Street. So long as the Express hangs on to its market position, United should then be making real money.

Smith & Nephew

Those shareholders who took up Smith & Nephew's quasi-rights, priced at 115p in October at the time of the Richards Medical acquisition, have made a tidy profit already; the shares closed yesterday at 187p. And as Smith now expects no earnings dilution at all in 1987 from that quarter, there should be no short-term worries about the shares beyond a fear that the sector might reverse. As for the long-term, Smith has so exhaustively demonstrated its ability to grow earnings at a 20 per cent compound rate – 20.3 per cent in 1986 – that the shares' inclusion in a portfolio could be prescribed as an anti-anxiety treatment for fund managers.

Not only has Smith the knack of increasing sales volumes, but margins keep rising too. This year the sale of the low margin Anchor business in the US alone will push up the group return. More important are the gains to be had from merging Richards in the US and Europe with Smith's own bits, plus yet more production efficiencies. That sort of ability does not usually come cheap, around 19 times prospective now, and it could be a long wait for another large scale acquisition.

Lucas

The customary post-results skirmish over the Lucas share price left the bears ascendant despite the company's hope that disappointment was well discounted. Lucas's own caution, while understandable, does not help, but does not in itself justify a prospective multiple at a 40 per cent discount to the market. Most of the full-year down-grading should already have taken place and there is increasingly good reason to look for £140m pre-tax for 1987-88. Senior management changes announced yesterday will also create fresh hope.

After the dismal timing of Lucas's move into US electronics the hint of a belated acquisition rush to establish the more equal split between automotive, aerospace and industrial was nevertheless enough to transmit a few shivers; and the potential problems with SCS in the UK was unwelcome. But even if a few more closures are braved the reorganisation costs at the full year should be halved, and some benefits from past acquisitions should seep through. Add to that the prospects for aerospace and signs of renewed growth in commercial vehicles and the caution seems excessive.

Standard Oil casts off lacklustre image with transformation

BY WILLIAM HALL IN NEW YORK

"FOR an oil giant, with reserves of 2.4bn barrels, we have become very nimble," says Standard Oil's aggressive new advertising campaign. It is a boast with which most of Wall Street's oil analysts would not quibble.

It is only just over a year since BP stunned the oil world by announcing that it had sacked the two top executives of its US affiliate, the second-biggest US oil producer after Exxon, and sent in three of its top executives, led by the 47-year-old Mr Bob Horton, but the company has undergone a major transformation.

From being a rather dull and solid member of the US oil community, it is now perceived as one of the more aggressive and innovative players in the US oil patch.

BP never really explained publicly why it felt it necessary to sack Mr Horton's predecessor, but analysts say that BP was becoming uneasy about the way Standard's huge cash flow from the giant Prudhoe Bay oil fields in Alaska was being squandered on costly diversification moves outside of the oil industry and unsuccessful efforts to replace its existing oil and gas reserves.

The new management team has completely overhauled Standard Oil's strategy, and Wall Street has been visibly impressed by the speed with which Mr Horton has acted.

"They have done a very good job of cleaning house," says Mr Frank Knuettel of Prudential-Bache Securities, and Mr Sanford Margoshes of Shearson Lehman Brothers says that the new management has been "very aggressive in enhancing Standard's strengths and minimising its weaknesses."

Standard Oil has been more gloomy than many rivals about the outlook for oil prices, and Mr Horton says that Standard's "most crucial task in 1986 was to reposition the company so that it would perform well in a world in which highly volatile crude oil prices might average $15 a barrel in real terms for the next few years."

One of the first moves was to abandon efforts to fully replace the production from Standard's Alaskan oil fields by aggressively exploring for oil in the lower 48 states of the US.

The company's exploration efforts are now focused on a few "key plays" where it has competitive advantage from acreage holdings, technology and experience. These focal points are primarily northern Alaska, offshore in the Gulf of Mexico, onshore areas along the US Gulf coast, and the Anadarko Basin in Oklahoma.

In contrast with the savage cutbacks needed in its upstream operations, Mr Horton has been lucky to inherit a downstream refining and marketing operation which is said to be one of the best among major US oil companies.

Standard's 1985 acquisition of Gulf Oil's Louisiana refinery and retail outlets in the south-east is being used to spearhead its expansion into one of the fastest-growing parts of the US, and Standard is known to be particularly interested in acquiring a presence on the west coast, the biggest single market for petroleum products in the US and a logical outlet for its Alaskan oil.

Non-oil businesses have been subjected to equally vigorous study over the last year. The coal business has been cut back sharply, and several properties in West Virginia, Pennsylvania and Illinois have been sold.

Standard's ill-fated move into the metals mining business when commodities prices were close to their peak, highlighted by the $1.7bn acquisition of Kennecott Copper in 1981, has been drastically pruned back, and most of Standard's various industrial companies have either been sold or put up for sale.

Standard Oil appears confident that the worst is over

FT WRITERS ASSESS THE BACKGROUND TO ONE OF THE BIGGEST EVER BIDS

BP displays an element of defensiveness

BY MAX WILKINSON, RESOURCES EDITOR, IN LONDON

BRITISH PETROLEUM'S offer to buy the remaining 45 per cent of Standard Oil of the US makes it the third of the major oil companies to indulge in the mysterious process of investing in assets they already control.

Exxon, the world's largest, blazed this trail in 1983 when it started to buy up its own shares. It has now purchased 18 per cent of its own equity at a cost of $7bn.

This figure happens to be close to the $7.4bn which BP intends to spend on the minority of Standard which it does not already own. Allowing for the general rise in the stock market, it is comparable with the $5.7bn which Royal Dutch/Shell spent on buying the minority holding in its US subsidiary, Shell Oil, in 1985.

Although there were important differences between all these purchases, they have one element in common. As a Shell executive put it: "When we looked around the oil sector, we couldn't think of a better investment than Shell" – a sentiment echoed by Exxon.

In BP's case the motivation is subtly different. Standard Oil was in severe difficulties only a year ago when the collapse of oil prices threatened to wipe out the cash contribution from its huge oilfield at Prudhoe Bay in Alaska.

Sir Peter Walters, BP chairman: move will aid expansion

Mr Robert Horton of BP: headed 'surgery' team

This might have been a time for BP to buy in the rest of Standard, when its fortunes and its share prices were at their lowest ebb. Sir Peter Walters, BP's chairman, said yesterday that this was considered though he added that he would not have slept at nights if they had bought Standard in the state it was then.

It was decided instead to send out a new management team from London, headed by Mr Robert Horton, one of BP's managing directors, to perform the surgery that was judged necessary. His remarkable success had made Standard a much more attractive proposition.

Mr Mike Unsworth, oil analyst at Smith New Court in London, believes that Standard's net debt as a ratio to total capital could fall from 36 per cent at the end of 1986 to only about 5 per cent by the end of 1991.

He argues that the buy-in will be essentially self-financing, with BP using the additional cash flow from Standard to pay off the $5bn of new debt it is taking on to pay for cash purchase of the shares.

BP's debt to equity ratio will rise from 27 per cent at the end of last year to about 40 per cent but should decline fairly rapidly thereafter.

From a financial view point, the move will therefore put little strain on BP, but does it make broader sense? BP's main strategic problem is what to do about the expected decline of its oil reserves during the 1990s, when the big North Sea fields will be running down.

Buying the remainder of Standard in one sense merely multiplies the problem, because of the US subsidiary's heavy dependence on Alaskan oil, which will also be running out in the 1990s.

Sir Peter acknowledges that the consolidation of Standard with BP will not solve the problem, but he believes it is an important preliminary to doing so.

The essential point is that the deal will give BP direct control over Standard's cash flow. At the same time, a more integrated management will, he believes, put the group in a better position to take advantage of opportunities for expansion and diversification

He says that the painful rationalisation of BP's downstream operations in the early 1980 has at last given it the strength and the cash to consider a more outgoing strategy.

It was decided two years ago that the focus of expansion should be in the US. BP now has assets of $4.5bn there with 7,000 employees. As BP has expanded its own operations in the US into nutritions, chemicals and advanced composite materials, it has seemed increasingly anomalous for it to be separate from Standard, and in some cases actually competing.

The merger with Standard will move BP decisively up into third place among the oil majors after Shell and Exxon on almost any measure. In spite of the extra borrowing, its financial position will be strong for the foreseeable future, and it will be very highly geared to any strengthening in oil prices. So, like its two bigger sisters, the enlarged BP can afford to wait.

Invitations sent out to 60 banks for $5bn credit

BY STEPHEN FIDLER IN LONDON

WITHIN FIVE minutes of yesterday's announcement of British Petroleum's offer for the 45 per cent of Standard Oil it does not already own, telexed invitations were going out to around 60 banks for the huge financing needed to back up the deal.

A $5bn bank credit, one of the largest fund-raising operations mounted in Europe, is expected to provide two thirds of the funds BP would need if its offer were accepted by all Standard Oil shareholders. The rest will be financed in cash.

The market in syndicated bank loans has been in decline for several years as borrowers have turned to other, usually cheaper, markets – particularly in tradeable instruments such as commercial paper.

But BP turned to the syndicated loan market for three reasons – speed, size and flexibility.

"No other market in the world could provide $5bn for BP in five days," said Mr James Fuschetti, executive director of Morgan Guaranty, which is arranging the financing. Banks are being asked to provide $200m, $125m or $75m.

London, rather than New York, is the traditional base for bank financings of such size, thanks largely to the greater number of international banks based in the UK. Borrowers often see advantages, too, in using the London interbank market in dollars as the base for interest charges.

In a world of increasingly complex financial transactions, this four-year deal is relatively simple. The core of the deal is a revolving credit, which allows BP to borrow and repay amounts up to $5bn as it wishes for a period of four years.

Then BP can invite bids for cash advances if it believes it can obtain finer terms than the prearranged margins on the credit.

. The third stage is a special programme to issue commercial paper – short-term tradeable notes – in the US. The revolving credit will provide a backstop to this programme.

BP hopes the commercial paper market will provide $2bn to $3bn of the financing but is conscious that to unload too much paper in New York may lead it to pay an undesirable premium on its interest rates.

The decision to raise funds in the US, rather than in the newer European commercial paper markets, is because of doubts that the latter can swallow the amounts BP wants to issue. The $350bn US market is 10 times the size of its European counterpart.

BP already has a $1.5bn programme in New York for working capital, of which $900m to $1bn was recently outstanding.

In the coming months and years, BP will move to refinance the credit, to which it has invited only banks with which it already has a relationship. Most of them participated in the $6.5bn standby credit the company signed in November 1985.

UK group in truck deal with Nissan

By Lynton McLain in London

LANCER BOSS, the private UK fork-lift truck company, yesterday signed an agreement with Nissan Motor of Japan to co-operate on the design, manufacture and supply of a new range of Nissan lift trucks in Europe

The development will enable Nissan to increase sales in Europe and to bypass an agreement on Japanese export quotas reached last year by the lift truck trade associations in Europe and Japan.

The initiative for the agreement came from Nissan. The agreement specifies a European content of between 80 and 90 per cent of the value of each truck.

The new electric trucks will be made by Lancer Boss at its Steinbock subsidiary company in West Germany at a rate of 400 trucks in the first year, and at Lancer Boss's factory in Bedfordshire in the UK. The total produced in the first year could rise to 800 trucks, according to Lancer Boss, which currently has 4 per cent of the European market estimated at 100,000 lift trucks a year.

Nissan will buy the trucks from Lancer Boss and sell them under the Nissan brand name through its European distribution network. The sales will add £3m ($4.8m) to Lancer Boss sales in the first year.

Mr Kiichiro Tanaka, a managing director of Nissan Motor company, said yesterday: "Nissan takes a long-term look in the arrangements with Lancer Boss and hopes to explore additional opportunities with the company." Nissan wanted the agreement, he said, because there were difficulties in designing, producing and shipping lift trucks from Japan to Europe.

Lancer Boss already has an agreement with Komatsu, the leading Japanese fork-lift truck company, for co-operation on diesel trucks.

INTL. COMPANIES and FINANCE

Renault plans big AMC provision

BY PAUL BETTS IN PARIS

RENAULT, the French state-owned car group, will include a FFr 1.5bn ($247m) provision to cover its withdrawal from the US car market in its financial results for 1986.

Despite the provision for the sale of its 46.6 per cent interest in American Motors Corporation (AMC) to Chrysler, Renault still expects to report a substantial reduction in consolidated net losses for 1986 next week.

These look likely to total FFr 5bn compared with a net loss of FFr 10.9bn the year before. The reduction reflects a sharp improvement in Renault's overall operating performance after widespread restructuring.

Renault is also embarking on a further series of restructuring moves including the closure of a machine tool subsidiary and a small engine manufacturing company, as well as the sale of majority stakes in a car seat manufacturing concern and in a foundry business. Operations have total sales of FFr 560m.

As part of group concentrating on core businesses, Renault recently pulled out of the US car market by agreeing to sell the controlling interest in AMC.

The US group has agreed to pay Renault $200m for Renault's outstanding loans to AMC and up to $350m for its 46.6 per cent stake.

However, the amount Chrysler will ultimately pay for Renault's shares will depend on the future financial performance of AMC. For this reason, Renault has decided to make a substantial provision in its 1986 accounts to cover the AMC deal.

The latest disposal and closure of non-strategic operations involve the shutdown of the Bernard Moteur small engine subsidiary with sales of FFr 160m which Renault has failed to sell to Lombardini of Italy. Renault has also decided to close Renault Machines Outils (RMO) a small Paris-based machine tool subsidiary, which employed 150 people and had sales of FFr 100m.

Renault is selling control of its profitable Sotexo subsidiary which makes car seats and has sales of FFr 173m to the French Bertrand Faure car components group. It is also selling its Fass foundry and aluminium wheel business to Kelsey-Hayes, the car components subsidiary of the US Fruehauf group. Fass has sales of FFr 133m a year.

Renault also expects to shed other assets. It is completing a major real estate transaction in Paris involving its headquarters which is expected to raise about FFr 1bn as well as negotiating the sale of other smaller industrial assets.

Lafarge turns in 56% gain

By George Graham in Paris

LAFARGE COPPEE, the French-based cements group, boosted net profits last year by 56 per cent to FFr 1.15bn ($189.5m).

Sales fell 10 per cent to FFr 16.9bn, but would have showed a 5 per cent rise if adjusted for the fall of the dollar and the sale of subsidiaries.

The profits improvement came mainly in Lafarge's French cement activities, which more than doubled their contribution to group profits to FFr 886m from FFr 415m in 1985. The division is reaping the benefits of the restructuring carried out over the previous three years.

Mr Olivier Lecerf, Lafarge's chairman, said growth would be maintained this year, barring exceptional elements, and there was a good chance of continuing to increase earnings per share in 1988 and 1989.

Cement and related activities in North America also improved their profits by 50 per cent in dollar terms, but in French francs the increase was only 1 per cent to FFr 199m.

Lafarge's plaster division more than tripled its contribution to group profits to FFr 272m, but losses in the sanitary products division deepened to FFr 31m from FFr 13m in 1985.

The other loss-making division was biotechnology, which recorded a loss of FFr 11m after profits of FFr 90m the previous year.

Lafarge succeeded in reducing its debt burden to FFr 2.65bn at the end of 1986, a fall of FFr 2.26bn or 43 per cent. Financial charges during the year were cut by 27 per cent to FFr 492m.

Hoechst sales decline by 11%

BY HAIG SIMONIAN IN FRANKFURT

HOECHST, the leading West German chemicals group, improved pre-tax profits for 1986 by 1.7 per cent to DM 3.21bn ($1.76bn) despite an 11 per cent downturn in worldwide turnover to DM 38bn.

The results do not include figures for Celanese, the US chemicals concern which Hoechst bought earlier this year for $2.85bn.

The 14.9 per cent drop in Hoechst's foreign turnover to DM 27.2bn stemmed from lower foreign currency receipts in D-mark terms and the effect of cheaper oil and petrochemical raw materials on chemical end-product prices.

Business was also down as a result of the sale of some styrene and polystyrene activities in the US and Holland, while Hoechst AG, the West German operation, reported a 8.2 per cent drop in sales to DM 14.1bn.

However, Hoechst AG raised its pre-tax profits by 12 per cent to DM 1.82bn largely thanks to higher investment income. Group results were also helped by the benefits of rationalisation at Hoechst Corporation in the US.

The group's sales volume remained stable domestically but fell by 1.8 per cent abroad.

The Hoechst UK subsidiary plunged to a net loss of £834,000 ($1.3m), compared with a profit of £3.2m in 1985, writes Tony Jackson. This was mainly due to a £4m trading loss by the Australian paints business, and a further £4m of extraordinary costs in combining the group's two Australian paint subsidiaries. Hoechst said it expected the combined business to return to profit by 1988.

Pre-interest profits on chemicals fell from £9.7m to £8m, on sales up from £260m to £275m. Paint profits overall—including a sharp improvement in the UK business—fell from £8.5m to £2.1m. The Kalle Infotec office equipment business, which has been heavily rationalised in recent years, made £1.6m against £1m.

Linde lifts earnings and payout

BY ANDREW FISHER IN FRANKFURT

LINDE, the West German engineering and industrial gases group, lifted domestic group profits sharply last year and intends to pay an increased dividend.

Profits before tax were 24 per cent higher at DM 211m ($115.5m) with net profits at DM 106m, against DM 81m. The result was achieved on sales of DM 2.93bn, a rise of 8 per cent. Linde said it will pay a dividend of DM 12 per share against DM 11 in 1985.

For the whole group, including unconsolidated foreign and German subsidiaries, turnover increased by 7 per cent to DM 3.9bn though without the effect of the higher D-mark, the rise would have been 9 per cent.

The world order inflow at Linde, the biggest maker of fork lift trucks in Europe and the world's oldest producer of refrigeration equipment, was virtuallly unchanged and also totalled DM 3.9bn. Without the impact of currency changes, this would have been a 4 per cent increase.

Mr Hans Meinhardt, the chairman of the Wiesbaden-based company, said that world turnover had shown a 5 per cent improvement to DM 518m in the first two months of 1987, and that he expected a satisfactory profit in the whole year.

The order inflow, however, eased by 2 per cent to DM 567m, though there would have been a 1 per cent rise, if the D-Mark had not strengthened so sharply over the past 12 months.

Krupp turnover depressed as dollar and oil price fall

BY PETER BRUCE IN BONN

THE FALL in the value of the US dollar, and in the price of oil and raw materials kept turnover at Fried. Krupp, the West German steel and engineering concern, down 14 per cent to DM 15.9bn ($8.7bn) last year.

The group said, however, that it was "satisfied" with its performance in 1986, and that all its divisions had contributed to a year-end profit, which it did not specify.

Krupp's trading and services activities suffered badly with a 26 per cent fall in orders. The steel division, Krupp Stahl, saw orders fall 3 per cent.

By now the steel operation will be in the red along with every other important West German steelmaker. Unions were saying this week that they fear Krupp Stahl, which employs 18,300 people, is about to announce more than 5,000 redundancies in the next two years.

● Siemens, the electrical engineering group, expects world group turnover to rise to around DM 52bn in the year ending September 1987 after a 19 per cent upturn in the first five months. Siemens reported turnover in 1985-86 of DM 47.02bn.

Belgian bank raises profit and pays more

By Quentin Peel in Brussels

GENERALE BANK, Belgium's largest commercial banking group, increased its profits by almost 20 per cent last year, in spite of foreign earnings reduced by the weakness of the dollar and sterling.

Consolidated net profits were reported yesterday at BFr 5.9bn ($155.7m) for 1986, compared with BFr 4.9bn the previous year. Dividends on ordinary shares will be raised from BFr 235 to BFr 245, as announced earlier this month, a pay-out representing 60 per cent of the profits.

Axel Springer tries to heal executive rift

By Our Bonn Staff

THE SUPERVISORY board at the Axel Springer Verlag, West Germany's biggest newspaper publisher, has appealed to the group's warring executive chairman and his deputy to make peace.

Tension between Mr Peter Tamm, Springer's chairman, and Mr Guenter Prinz, his deputy, over how the group should be run was very high last week, with Mr Tamm's job rumoured to be in danger. The two men have argued about Springer's efforts to break into private television.

Last Monday, the supervisory board, which makes executive appointments, is said to have told the two to find ways of co-operating with each other.

A statement issued after the meeting said "the supervistory board invited Mr Peter Tamm and Mr Guenter Prin z to continue ad stregthen their tried and tested co-operation. The supervisory board will take part in the establishment of arrangements that guarantee that and, for itself, plans to intensify its co-operation with the (executive) board."

This was being interpreted later in the week as something of a victory for Mr Prinz. Mr Tamm now appears to be facing "intensifid" supervision of his board's activities.

Restructuring by Austrian chemicals group

By Patrick Blum in Vienna

CHEMIE LINZ, Austria's state-owned chemicals and petrochemicals group, is to be radically restructured in a bid to bring it back into profits.

Restructuring to be carried out within 20 months at a cost of about Sch 2.5bn ($193m) will involve establishing a holding company for the group, Chemie-Linz-Holding, with four separate subsidiaries for pharmaceuticals, plastics, f ertiliers and chemicals.

The pharmaceuticals company will be a joint venture with Austria Tabak, the Austrian tobacco monopoly, as provider of capital which will hold 45 per cent of the shares.

INTL. COMPANIES and FINANCE

Finn Barre on Riyadh's careful development of share trading

Saudis learn from Souk collapse

SAUDI ARABIA has taken several gradual steps in recent months to facilitate domestic securities dealing. Although more measures are on the way, however, the authorities have made clear that these will stop somewhat short of a full-scale equity market.

Moves so far have been aimed at making it easier for banks to trade shares, taking over from the old system of informal brokers and thus broadening access outside the main cities. But this still involves a cumbersome process of notification and registration.

The National Centre for Financial and Economic Information, a government agency, has begun issuing a stock index, and the kingdom's 11 banks have set up a share registration company. Future developments may even include the provision of a single building to house dealers, but a trading floor as such is not in prospect.

According to Mr Mohammed Al-Khail, the Finance Minister, "Having a stock market at this stage in our development would have a negative effect. It will not help the main goal which is to encourage more money to go to industrial financing."

Mr Mohammed Aba Al-Khail: "Negative effect"

Another underlying concern in the Government's attitude is to avoid anything similar to the Souk Al-Manakh collapse in Kuwait in 1982 which has hobbled investment there for several years. The downfall of the Souk market stemmed from a proliferation of postdated cheques, and Riyadh will thus maintain a wary eye on the financial standing of its own securities sector as it goes beyond its infancy.

An active stock market would offer Saudi businessmen a chance to invest locally. Further, Saudi Arabia operates under Islamic Sharia law, which forbids the taking or paying of interest. Investment in instruments such as stocks is considered completely Islamic because the risk of profit or loss in shared.

Even if the Saudi stock market is not destined to operate like Wall Street or the City in the near future, stock prices have been rising. Observers say this is due in part to higher oil prices, and part to the fact that the Government has been paying subsidies and price supports.

These are a core means of support for the large agricultural enterprises which, for example, are paid several times the world price for the wheat they grow. But it applies in other sectors such as the electric utilities. Saudi Public Transportation Company (Saptco), for instance, gets a guaranteed 15 per cent profit from the Government.

There is new activity in the local stock market. Saudi French Bank has given shareholders a scrip issue, increasing marketability, and other banks may follow suit. Saudi Basic Industries Corporation (Sabic), the giant public petrochemical and steel group will eventually increase private ownership from 30 per cent to 75 per cent. Saudi Advanced Industries Company was floated with a capital of SR111m ($29.6m) to invest in high technology joint ventures.

Overall, shares have reversed a two-year downward spiral and risen 35 per cent or more in the past four months.

The big problem with the Saudi stock market remains its puny size compared with the wealth of Saudi investors. Daily volume in the 48 quoted companies currently averages some SR 25m.

Old Mutual unit shows profit on underwriting

By Our Johannesburg Correspondent

MUTUAL & FEDERAL, the South African short-term insurer, returned to an underwriting profit in the six months to December after two years of underwriting losses.

Mutual & Federal is the short-term insurance arm of Old Mutual, South Africa's largest life assurer.

The profit resulted in part from a strong increase in the volume of business. Gross premiums increased to R250m ($122.4m) from R173m and the underwriting surplus was R488,000 against a deficit of R11.7m in the previous first half and R8.9m for the year as a whole.

The interim pre-tax profit was R17.9m against R1.7m. It totalled R21.1m in the last financial year.

Net earnings rose to 276.7 cents a share from 49.6 cents and the interim dividend has been raised to 40 cents from 31 cents.

Investment chief cool on Australian share outlook

BY BRUCE JACQUES IN SYDNEY

MR RUSSELL GOWARD, the former Industrial Equity chief who is now chairman of investment group Westmex, has joined the ranks of prominent share traders becoming nervous about the heady levels of the Australian share market.

Announcing after-tax profits of A$6.1m (US$4.2m) yesterday—a big lift on last year's A$178,000 Mr Goward said Westmex was "happy to await the inevitable decline in the share market.

"We will become even more selective about our investments and let someone else pay today's high prices," he said. Mr Goward's comments follow a recent statement by Mr John Spalvins, chief executive of the acquisitive Adelaide Steamship group, that he would look outside Australia for investment because prices were too high.

Mr Goward, whose empire includes formerly British-controlled oil group, Charterhall, also disclosed yesterday that net assets owned by Westmex had ballooned from A$3m to A$178m in the year.

Charterhall is just completing the acquisition of Pancontinental Petroleum and because it is using scrip, the Westmex holding in Charterhall will fall to about 31 per cent. Mr Goward has forecast topping back up to 50 per cent, but probably only after share market prices ease.

Mr Goward also announced a one-for-two bonus issue to Westmex shareholders and a maiden dividend of 5 cents.

● Vamgas, the Australian petroleum producer which recently became a subsidiary of Santos, has joined its parent in reporting a much lower profit for 1986. The company's after-tax earnings slid from A$15.28m to A$7.07m in the year following a sales fall from A$99.1m to A$76.5m. The annual dividend has ben cut from 8 cents to 6 cents a share.

Sir Brian Massy-Greene, Vamgas chairman, confirmed that the result mirrored the fall in world oil prices during the year

Ferruzzi lifts stake in Montedison

By Alan Friedman in Rome

FERRUZZI, the Italian agri-industrial concern which has been consolidating its effective control of the Milan-based Montedison chemicals group, has increased its stake from 37 per cent to 40 per cent of Montedison.

Mr Raul Gardini, who heads Ferruzzi, confirmed that the additional 3 per cent shareholding had been acquired in recent days on the Milan stock market. On the basis of the average Montedison share price in recent days, a parcel of such a size would have cost around L190bn ($146m).

It also emerged yesterday that Montedison has boosted its shareholding in La Fondiaria, the Florence insurance group, from around 38.5 per cent to 46 per cent. This move was also accomplished at the initiative of Mr Gardini.

Mr Gardini, who in a separate development this week agreed to pay more than $600m to acquire the European starch and glucose operations of CPC International of the US, confirmed that several of his senior Ferruzzi managers would be moving into key board appointments at Montedison.

On the board of Montedison itself Mr Gardini's representatives are expected to total eight out of 15. At present Ferruzzi has two seats.

Botswana RST reduces net loss

BY JIM JONES IN JOHANNESBURG

BOTSWANA RST (Botrest), the mine at Selebi Pikwe managed by Anglo American Corporation of South Africa, cut metal production and sales in 1986 but nevertheless reduced its attributable loss for the year.

Nickel sales were cut to 15,658 tonnes from 17,324 tonnes, copper to 17,378 tonnes from 19,397 and cobalt to 137 tonnes from 190 tonnes. Lower nickel prices contributed to the reduced revenue of 99m pula ($57.8m) against 120.1m pula.

Operating profits were 18.2m pula, down from 45.7m pula. The company has never been profitable and has sunk progressively deeper into debt despite periodic financial restructurings. At the end of 1986 the accumulated loss was 1.19bn pula against 1.18bn pula a year earlier and, during the year, the company accrued an interest bill of 153.1m pula against 144.8m pula.

Unrealised profits on currency fluctuations helped reduce the year's attributable loss to 8.4m pula against a loss of 396.0m pula previously.

Management has admitted frequently that the mine was unlikely ever to generate sufficient profits to repay and service the mounting debt burden. Johannesburg mining analysts believe the mine is kept operating and allowed to accumulate additional debt liabilities because closure might prompt the Botswana Government to take adverse action against three diamond mines and prospecting concessions in the country held by Anglo American's De Beers affiliate.

About one third of De Beers' newly mined diamonds come from the Orapa, Letlhakane and Jwaneng mines in Botswana and the diamond company has extensive prospecting concessions inside nature reserves in the southern and central parts of the country.

INT'L CAPITAL MARKETS

Elders Resources to raise A$161m

By Stefan Wagstyl in London

ELDERS RESOURCES, the fast-growing natural resources affiliate of the Australian brewing combine Elders IXL, is planning to raise A$161m (US$111.8m) with an issue of convertible loan stock.

In an announcement made after Australian markets had closed yesterday, the company also reported a threefold increase in interim net profit for the period to the end of December to A$16.9m (A$5.5m).

The group, which is 48 per cent owned by Elders IXL, has been expanding rapidly in several directions since it was established 18 months ago – including financing, developing and operating gold mines, trading commodities and investment in natural resources, notably Australian oil and gas and gold stocks.

The company has substantial holdings in three onshore Australian energy companies – Santos, Bridge Oil, and TMOC Resources.

The company is offering shareholders two A$2.50 unrenounceable, subordinated, redeemable unsecured loan notes for every seven shares held. The yield was not known in London yesterday.

The company is paying a maiden interim dividend 3 cents. Earnings per share were 7.8 cents (3 cents). There was an extraordinary loss of $820,000.

Grindlays and 3i set up India fund

By R. C. Murthy in Bombay

GRINDLAYS BANK and Investors in Industry (3i) of the UK have launched an investment fund from Guernsey for expatriate Indians and other overseas investors.

The principal objective of the India Investment Fund is long-term appreciation through investment in both young and mature Indian companies and by providing venture capital, to make the fund India's first overseas venture capital financing unit.

The capital of the fund, which opens for subscription on April 14, is $15m, with shares offered at $10.30 each. The fund is intended for investors mainly in the UK, Hong Kong and the Middle East.

Subscriptions by non-resident Indians will have to account for at least 60 per cent of the fund, if it is to qualify for investment in India under Indian laws.

The Grindlay/3i fund differs from India Fund, launched by the Government-owned Unit Trust of India and Merrill Lynch. The new fund has a seven-year tenure and cannot be traded in, unlike the London listed India Fund, which is denominated in sterling.

Hill Samuel of the UK and Champaklal Investments Overseas set up a similar fund two years ago but its scope was restricted to portfolio investment through Indian stock markets. The return on investment there was subject not only to foreign exchange fluctuation risks but to a 20 per cent withholding tax. The response to the Hill Samuel fund was modest.

India Investment Fund suffers from these constraints but the attraction of capital appreciation over seven years through venture capital business outweighs the risks, in view of Grindlays.

Sumitomo Bank in CD programme

By Stephen Fidler

SUMITOMO BANK, the second-largest bank in Japan, has established a £500m certificate of deposit programme, arranged by Morgan Grenfell.

Other dealers on the programme are Lloyds Merchant Bank, Samuel Montagu, Salomon Brothers International, Sumitomo Finance International and S. G. Warburg.

In US dollar financings, Guinness Peat has arranged a $125m cash advance afcility, with Barclays de Zoete Wedd and Guinness Mahon as joint arrangers.

Svenska Finans International, the London-based asset finance subsidiary of Svenska Handelsbanken of Sweden, launched a $100m Eurocommercial paper programme fith Manufacturers Hanover and Svenska Handelsbanken appointed dealers. There is a multi-currency option.

Sandoz, the Swiss chemicals and pharmaceuticals concern, appointed Morgan Guaranty and Swiss Bank Corporation International for a $50m Euro-paper programme.

Australian dollar deals form focus of attention

BY CLARE PEARSON

AUSTRALIAN DOLLAR bonds formed the focus of new issue managers' attention in the Eurobond market yesterday, as these were one of the few areas where trading was brisk.

The Eurodollar market was still trading in a narrow range with retail investors absent. Recent central bank intervention to support the currency had failed to liven up the sector, with dealers still worried about the direction of the US unit.

The Australian dollar market, on the other hand, was still active because it has been supported recently by strong demand from West German and other Continental retail investors. They have been attracted by the double-digit yields on these types of bonds, and the recent firmness of the Australian currency.

Three more borrowers tapped the market yesterday, following a string of deals over the last few weeks.

Warburg Securities led an A$60m three-year issue for Walt Disney on terms that looked fairly tight. The coupon was fixed at 14¼ per cent and issue price at 101⅜.

Dealers decided that the strong appeal of the borrower's name for their retail customers would buoy up the deal, however. It was quoted at a discount of 1⅜ per cent on the bid side, within its 1½ per cent fees.

Hambros Bank, meanwhile, priced a three-year A$40m issue for Credit Lyonnais Australia, guaranteed by the parent company, with a 14¼ per cent coupon and 101¼ issue price. The deal was quoted at levels close to its 1½ per cent fees.

Chemical Bank International met a less favourable response to its A$100m five-year zero-coupon bond for Nordic Investment Bank. Some dealers said that demand for zero-coupon bonds, which offer a lower yield than fully-couponed issues but have tax advantages, was limited.

INTERNATIONAL BONDS

The deal was priced at 53.50. It was quoted by the lead manager at 52¾ bid, but at lower levels elsewhere.

Turnover was low in the Euroyen market in response to dull trading of Japanese Government bonds in Tokyo overnight. One new issue surfaced, but this was largely preplaced and did not trade yesterday.

IBJ International led the deal, which marked the debut in the Eurobond market of ASLK-CGER, the Belgian savings bank. The 5⅛ per cent Y10bn eight-year bond was priced at 101⅛.

Societe Generale led a C$100m five-year 8½ per cent issue for Montreal Trustco, priced at 101. It was quoted at 99 bid, against 1⅞ per cent fees.

The Eurosterling market eased slightly, as the gilt market ended the day lower. Dealers were encouraged by the release of better-than-expected UK balance of payments figures for February, but election worries were rekindled by the results of the latest opinion poll.

The announcement by Standard & Poor's, the US credit rating agency, that it was downgrading debt of six US money centre bank holding companies produced price falls in the floating-rate note market. These were limited, however, as dealers said the move had already been largely discounted by the market.

Issues for US banks initially eased by about ⅛ points, although they later regained some ground to end the day about ⅛ points lower.

In the D-Mark Eurobond market prices rose by about ⅛ point, mainly encouraged by the domestic bond market which has been supported lately by heavy Japanese buying.

In Switzerland, prices rose slightly.

Oesterreichische Laenderbank announced a Sch 2bn 10-year issue of floating-rate treasury notes for Austria. The issue has an initial three-year life but the borrower has the right to make two three-year extensions and a further one-year extension in 1997.

The bond, which is likely to be increased in size, pays interest at ⅛ point over three-month Vienna interbank offered rate, and is priced at par. Trading begins today.

Conrail issue to raise $1.64bn

BY WILLIAM HALL IN NEW YORK

THE US Government will receive $1.64bn from the initial public offering of its 85 per cent stake in Conrail, the North Eastern US railroad group, which was priced at $28 a share late on Wednesday.

The share sale, which began yesterday is the biggest initial public offering in the history of Wall Street and appears to have gone better than expected. The underwriters, led by Goldman Sachs and Co had originally planned to price the stock between $22 and $26 per share but as a result of growing interest, helped by the bouyant stock market, the offering price range was raised to between $26 and $29 per share last week.

Of the 58.75m common shares being offered, 52m are to be sold in the US and the balance overseas. The remaining 15 per cent of Conrail is owned by its employees.

Conrail was formed in the mid-1970s from the ailing operations of the Penn Central Railroad and other carriers. It lost considerable sums in the early 1980s but over the last few years it has returned to profit. Last year it earned $431m on sales of $3.14bn.

Until the latest offering, the biggest public flotation on Wall Street had been the $1.3bn issue by the Henley Group last May, followed by the $1.2bn offering of Duff & Phelps Selected Utilities in January 1987, and the $1.2bn flotation of Coca-Cola Enterprises in April 1986.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 26

US DOLLAR STRAIGHTS

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

هكذا من الأصل

Kwik-Fit profit soars to £11m

Kwik-Fit (Tyres & Exhausts) **Holdings** increased pre-tax profits from £6.6m to £11.1m in the year to February 1987.

The car parts retailer and fitter also pushed turnover from £80.65m to £102.59m. Earnings per share rose from 6.01p to 8.89p.

Mr Tom Farmer, chairman, said during the year, 21 new centres had been opened and 14 refurbished. The group now has 339 stores throughout the country but Mr Farmer said there is scope for many more.

"The last estimates that have come from other people this year is that the market could be worth 3 or 4 billion pounds a year," he said.

Of the new shops, ten were added in the last two months of the financial year. Another two were opened in March.

Turnover from its 41 shops in Holland and Belgium was £10m producing a pre-tax profit of about £850,000.

The year also saw the setting up of Kwik-Fit's fleet hire division which trades through its retail outlets. Mr Farmer said about 25 per cent of cars in the UK are fleet hired. In the US it is about 60 per cent.

Investment income fell from £1.38m to £769,000 following the disposal of properties which brought in £6.25m cash. The tax charge rose from £1.62m to £3.48m. Gearing fell from 57 per cent to 20 per cent.

There were extraordinary items of £332,000 compared with £446,000 in 1986.

A final dividend of 1.2p is proposed making a total for the year of 2.2p compared with 1.68p in 1986.

Mr Farmer said the company had applied for a change in its listing on the Stock Exchange from motors to retailers. This was because the group has as much in common with industries like Lucas as, say, Safeway. But the application failed "We are retailers. It also happens that we fit our stuff," he said.

● **comment**

Kwik Fit has disengaged the handbrake, revved up the engine and pressed the accelerator. Results for 1986 were above expectations and the outlook is clear. The group has found a formula that works and has no large competitors in the niche it has carved itself. It has disposed of unrelated businesses and is a long way from saturation point. The increasing use of own brand products, the potential size of the fleet hire business and possible expansion overseas, all suggests there is still a long way to go. Pre-tax profits look set to rise to at least £13m in 1987, which at 171p gives a prospective p/e of about 95. This rating ridicules Kwik's listing under motor components where the average p/e is 9. Compared with retailers, on an average of about 15, Kwik's share price is more reasonable, perhaps even undervalued. Yesterday, it closed 6p down at 161p.

Intl Securities sells stake in Belgrave

By Terry Povey

The battle for control of **Belgrave Holdings** took a new turn yesterday when dissident shareholder International Securities sold its stake of almost 30 per cent to a private company controlled by the Jivraj family.

The news pushed Belgrave's share price up 25p to 175p. The company has been one of the property sectors dullest performers, affected by the controversy surrounding its former chairman, Mr Abdul Shamji, and more recently by a struggle between two shareholders, each with almost 30 per cent.

The sale by International Securities, associated with Mr Peter Clowes and Mr Guy Cramer, is conditional on the rejection of a resolution agreeing to the disposal of Belgrave's four London hotels to a private company controlled by the Raberhu family. The Raberhu's provide the top management for Belgrave and through an offshore company hold the other major stake.

Belgrave's shareholders are due to meet today to consider the disposal resolution.

The Jivraj family recently sold its controlling interest in the London Park Hotels to Mount Charlotte Investments.

Rohan higher

Rohan Group, reported pretax profits for 1986 I£1.8m (£1.72m) against I£130,000. Turnover rose from I£19.24m to I£21.58m.

Earnings per share came out at 12.42p, against losses last time of 1.21p. The total payment is being raised to 5.28p with a recommended final of 2.88p.

Trading profits were higher at £2.06m (£1.5m) but there was a share of losses of associates of £47,000 (£166,000 profits). Exceptional debits werem uch lower at £220,000 (1.54m).

Yearling bonds

Yearling bonds totalling £0.5m at 9⅞ per cent, redeemable on March 30 1988, have been issued by the following local authority. Metropolitan Police District (The Receiver For The) £0.5m.

Petranol slides into the red after 'exceptionally difficult' year

BY LUCY KELLAWAY

Petranol, the UK quoted oil company with its assets in the US, yesterday announced a pretax loss for 1986 of £1.8m, compared with a £2.2m profit in 1985, and declared that there would be no dividend.

The company said that 1986 had been "exceptionally difficult" as a result of the fall in the oil price, but that it had emerged at the end of the year able to survive the effects of low oil prices.

It confirmed yesterday reports that it was negotiating an assets-for-shares deal with Mr Hubert Perrodo, a French businessman, which would increase the size of the company and add to its financial security. Details would be sent to shareholders shortly.

During the year, Petranol's oil production increased by 8 per cent to 454,000 barrels a day — despite a shortage of funds which restrained development.

The results for the year contain an extraordinary loss of £657,000, which covered the cost of abortive deals done during the year. These included the purchase of Apollo Energy, a privately-owned US oil company, which was blocked by shareholders, and the attempted takeover of Petranol by Inoco.

Overheads have been cut sharply, with costs now runing at about £500,000 a year compared to £1.8m last year. The company said that these cost savings, combined with the stronger oil price, should strengthen its cashflow this year.

However, it warned that further development of assets would require additional funding, which the company was now seeking.

Union Jack Oil set to make £11m cash-call

By Lucy Kellaway

UNION JACK OIL, a small independent oil company, yesterday announced plans to double its size through a one-for-one rights issue at £1 a share raising £11m.

At the same time, it released its results for 1986, which showed a loss before tax of £2.1m, compared to a profit of the same amount in 1985. After tax the loss was £650,000 (£740,000 profit).

The money raised through the issue will be used to finance existing drilling commitments, and will enable the company to buy additional oil production if the right opportunities arise.

Union Jack Oil is traded under rule 535(2), and its largest shareholder is Ranger Oil, which has undertaken to support the rights issue.

Brown Shipley

Dr Carlo Bonomi, the Italian businessman, has sold his 9.5 per cent stake in Brown Shipley, the small merchant banking group. The stake is believed to have been sold into the market last week. Dr Bonomi's company, Invest International Holdings, had been a shareholder for about a year.

Abaco buys estate agent

BY CLAY HARRIS

Abaco Investments, the financial services group, is to buy Thames Valley estate agent **Giddy & Giddy** for up to £7.5m in cash and shares.

Giddy & Giddy's 24 offices will increase Abaco's network of residential estate agents to 84 offices. The firm also includes commercial estate agents, valuers, surveyors and auctioneers.

The acquisition will also create new outlets for Abaco's mortgage consultants, John Charcol.

Giddy & Giddy reported pretax profit of £282,000 on turnover of £2.96m in the year to last March 31. Deferred payment of £3.5m in Abaco shares depends on pre-tax profit of at least £700,000 in the year that ends next week.

The initial payment will comprise £2.65m in cash and 2.07m shares worth £1.35m.

Ealing Electro holds profit

AFTER a static profits performance in the first six months of 1986 and a warning of a disappointing start to the second half, **Ealing Electro-Optics** has merely marked time for the whole of 1986 with a pre-tax profit of £1.27m.

Sales of this USM-quoted company which designs, manufactures, markets and distributes high-precision optical and electro-optical equipment, were down from £7.47m to £7.43m last year and trading profits were little changed at £1.2m had reduced trading profits by almost £100,000 and sales by £300,000.

Net interest receivable was £68,000 (£50,000 payable); tax charged was £460,000 (£457,000) (£1.3m) although the effect of adverse dollar exchange rates and stated earnings per share emerged at 7.9p (9.8p). There is a final dividend of 1.5p making 2.2p against the single payment of 1.5p for 1985.

SANDERSON, Murray & Elder (Holdings) (woolcomber): pretax profit £44,620 (£66,030) on turnover of £2.62m (£3.18m) for six months to end December 1986. Earnings stated as 1.8p (2.8p) per share.

Speyhawk £26.3m rights and acquisition

Speyhawk, the property development group, is to raise some £26.3m by a two-for-five rights issue at 385p a share. At the same time it is acquiring the 24.99 per cent minority holding in its Mount Row subsidiary from Mr Chris Kennedy and Mr Robert Maxted, two of Mount Row's directors.

Mr Trevor Osborne, chairman and joint managing director of Speyhawk, said yesterday that the issues would increase its equity capitalisation to about £100m, against some £11½m when it came to the market in December, 1981.

He said that the rights issue acknowledges Speyhawk's need to widen the market for its shares, and to increase its asset base.

The enlargement of the group's capital base is designed to widen the scale of its property trading operation. It intends to increase the return on selected development projects by retaining a greater equity interest;

More broadly, it expects to expand its activities both organically and by acquisition, both primarily with the aim of increasing earnings.

Speyhawk's directors say that they are currently in discussions on projects which, they tive and which might involve believe, will furthe this objecthe issue of further shares as consideration.

Mr Osborne intends to remain firmly in the development/property trading arena. He said yesterday that the company was misunderstood when it bid, unsuccessfully, for Property and Reversionary at the end of last year.

He said that this was an attempt to capitalise on the trading potential of P & R's West End properties and not a retreat into assets.

Spectrum suspended

SHARES IN ailing computer manufacturer and distributor Spectrum, were suspended yesterday at 30p at the company's request as directors announced that they are in negotiations "which may leadw to an investment in the company."

The negotiations are unlikely to produce a full bid for Spectrum; the more likely outcome is that another company will take a stake in the company in return for a capital injection. Yesterday, the company said resolution of the talks was "fairly imminent."

Two months ago, Spectrum released its figures for the year to end-June, showing a halved pre-tax loss of £1.05m.

COMPANY NEWS IN BRIEF

GLEN INTERNATIONAL, the investment company headed by Mr Terry Ramsden, has disposed of its 12.36 per cent holding in Bestwood, the financial and property services group run by former stockbroker, Mr Tony Cole. However, this disposal is more than matched by the purchase by Mr Ramsden of a personal 14.89 per cent interest in Bestwood.

SHELDON JONES (animal feed manufacturer and agricultural merchant): Interim dividend 1.35p (unchanged). Turnover £7.17m (£6.218m restated) and pre-tax profit £241,000 (£254,000). Tax £82,000 (£100,000). Earnings per share 3.07p (2.98p).

TECHNICAL Component Industries (USM-quoted engineering components maker): Final dividend 2.5p, making 4p for the year ended December 31 1986. Turnover £3.8m (£1.44m) and pre-tax profit £858,000 (£302,000). Tax £236,000 (£125,000) and earnings per share 15.1p (8p).

EWART NEW NORTHERN, Belfast-based property company, has sold its 12.6 per cent stake in Joseph Webb, holiday site and property developer, following its unsuccessful attempt to get two Ewart directors appointed to the Joseph Webb board.

MONUMENT Oil and Gas: Turnover £12,000 (£30,000) and pre-tax loss £50,000 (£39,000 profit) for 1986. Administration expenses £340,000 (£303,000), interest receivable £298,000 (£484,000). Tax credit £14,000 (£32,000), loss carried forward £36,000 (£71,000 profit) and loss per share 0.08p (0.16p earnings).

SILKOLENE LUBRICANTS (manufacturer and distributor of petroleum products): Final dividend 3p (unchanged), making 6p (unchanged) for 1986. Turnover £23.14m (£26.91m) and pre-tax profit £789,000 (£425,000). Tax £344,000 (£172,000). Earnings per share 10.6p (6p).

FYRESPAN, a Briggs Amasco company, has been awarded an £800,000 sub-contract for fire-resistant atrium walling at Prudential Assurance's eight-storey Apex Plaza in Reading. The contract is three itmes larger than any previous British contract for Fyrespan, although it has handled larger contracts in export markets. The principal contractor is Tarmac.

UK COMPANY NEWS

All-round growth boosts Croda

Croda International reported record profits in 1986 with a rise in the pre-tax figure of 18 per cent from £22.88m to £27.14m. Mr Mike Cannon, chairman, said that most operating divisions made a contribution and that trading in the present year had continued to be good.

Turnover fell from £407.15m to £342.73m following the disposal of the Premier Oils division. Earnings per 10p share came out at 15.06p (12.06p) basic, or 13.6p (10.91p) fully diluted, and the directors of this Humberside-based chemical processor are proposing a final payment of 5p (4p), making a total for the year of 8p (7p).

Croda World Traders improved profits from £2.87m to £4.7m on turnover of £96.75m (£147.95m) and Croda Polymers rose to £4.58m (£4.19m) on turnover of £74.78m (£75.37m).

Cromano Consumer Products, however, was said to have had a difficult year and steps had been taken to improve the situation.

● comment

That Croda's new chief executive has a lot on his plate was clear from the large coach required to deliver the back-up management to yesterday's results presentation. With five "business" divisions due soon to replace the present four, streamlining should take priority. In trading terms chemicals gained from lower input costs, world traders from the absence of Premier Oils and rationalisation while polymers dropped marginally on the back of the weak A$ (overall the group suffered a £1.2m fall due to currencies). If there is a serious concern it is cosmetics and toiletries where the big houses have invaded the own label market and a major cost cutting exercise is on the cards. With gearing only 6 per cent, Croda is on the acquisition trail and could easily afford to spend up to £100m—although several add-ons in the £10m region are most likely—building up its US and West German adhesives and chemicals activities. The shares have put on 40 per cent (to 215p) in six months.

Cambridge Instrument valued at £127m

By Philip Coggan

Cambridge Instrument, the scientific equipment manufacturer, is joining the main market via an offer for sale that values the company at £127m. Around 36.26m shares are being offered, 37 per cent of the enlarged equity, at 130p each.

The group was founded in 1881 by Charles Darwin's son Horace but its recent history dates from 1979 when the National Enterprise Board brought in Dr Terence Gooding, now the executive chairman, to manage the company.

Cambridge manufactures scientific instruments, semiconductor equipment and after the May 1986 acquisition of Reichert Industries, optical equipment.

For the current year ending March 31, Cambridge is predicting pre-tax profits of £7.5m, an increase of 56 per cent over the previous year. On an actual tax basis, the shares are being offered at a prospective p/e of 14.8.

Around 40 per cent of the issue is being reserved for institutional investors with another 7.4 per cent for employees and existing shareholders. The rest is being offered to the public. Just under four-fifths of the shares being sold are new.

Dealings are expected to begin on April 8.

● comment

After a lengthy but none too successful history, Cambridge seems finally to have been licked into shape by Dr Gooding and his eye for a good deal is certainly worth a couple of points on the p/e ratio. But the investor does not need one of the group's scanning electron microscopes to find one or two worrying signs in the prospectus. The inability to give some indication of the profits dip in semiconductor equipment is unfortunate, although a rough estimate shows that operating profits for the combined scientific and semiconductor group will be down 15 per cent this year. Also, the company is coming to the market in the midst of the Reichert reorganisation which has given operating margins a nasty knock. Add in the prospect of a tax charge rising from 20 per cent to around 35 per cent over the next couple of years and Dr Gooding will have to show all his entrepreneurial skills to keep earnings surging ahead. On a full tax charge, the p/e of 19 sits between the ratios of Oxford and VG and suggests that the premium will be on the modest rather than the spectacular side.

Stewart Wrightson up despite fall in US property premiums

BY NICK BUNKER

Stewart Wrightson, one of the top 10 Lloyd's insurance brokers, reported 1986 pre-tax profits up 15 per cent to £21.5m, in spite of a downturn in US property premium rates and signs of rate-cutting by aviation underwriters.

The results were at the lower end of City analysts' expectations, which had ranged from £20.9m up to £23.5m. The shares fell 11p to 462p yesterday.

Stewart Wrightson forecast a further slackening of rates in US property business as insurance capacity continues to return, and a decrease in aviation hull premium rates. However, big re-equipment programmes by major airlines should temper the impact of falling premium rates on aviation insurance broking income.

It held expenses growth down to 12.1 per cent in 1986, aided by a fall in UK staff numbers from 2,200 to 2,100.

The cost of buying errors and omissions insurance also rose by an undisclosed figure. But the increase is understood to have been a lot less than at Sedgwick Group, the biggest Lloyd's broker, where errors and omissions premiums doubled last year.

Profit after tax and minorities were up 14.9 per cent at £12.4m, with a tax charge of 39.5 per cent against 40.4 per cent in 1985.

Earnings per share were up 14.2 per cent at 28.04p, and the board recommended a final dividend of 8.8p per share, lifting the total 1986 dividend to 13p, an increase of 18.2 per cent.

Brokerage income—making up 74 per cent of group turnover—grew by 13.3 per cent to £85m, reflecting an underlying 13.7 per cent rate of increase, after allowing for the impact of currency movements and acquisitions. In 1985, brokerage grew by an underlying 18.5 per cent.

Stewart Wrightson increased by £1.8m its provisions against bad debts from the international insurance industry.

Investment income slipped marginally from £8.5m to £8.4m. The group's insurance companies made £4.78m pre-tax, up 68.9 per cent, mainly because of growth in their investment portfolios arising from a big increase in business written in 1985.

● comment

Stewart Wrightson is more candid than one or two of its rivals about the broking sector's current negatives. They include faltering premium rate increases in North America, and changing terms of trade at Lloyd's of London which will cut into investment income by shortening the period for which brokers can hold premium cash. Wrightson has some hidden positives of its own, however. Its tax charge—down from 40.4 per cent, to 39.5 per cent—should fall further, not least as Stewart Smith, its US excess-and-surplus lines broking subsidiary, benefits from federal tax reform. North American broking staff captured last year from C. E. Heath should start producing results in 1987 (Mr Rowland says big US brokers—including Rollins Burdick Hunter, Heath's long-standing Chicago partner—have inquired about channelling business his way). Yet forecasts of £28m for 1987 now look £2m too hopeful: a reduced earnings per share estimate of about 35p brings Wrightson down to a prospective p/e of 13.

Rotork rises to £6.32m

Rotork, an engineering group, lifted pre-tax profits from £5.46m to £6.32m in 1986, which Mr Jeremy Lancaster, chairman, described as no mean achievement. Group turnover was lifted from £30.81m to £33.21m.

The controls division suffered from the fall in oil price, which resulted in a sharp decline for its products. However, an increasing level of business in the water and waste treatment markets helped to redress the balance and enabled the division to again produce record profits.

North America was the major area where results did not match up to those in the previous year.

Group results had for the first time included a full year from Protech, the instrumentation company which Rotork acquired in July 1985. The company had lived up to its expectations.

The toughest year in the group was experienced by Jacques, which produces equipment for offshore operations although volume had been maintained.

Tax took £2.36m (£2.28m) and extraordinary items of £195,000 comprised rationalisation and reorganisation costs. Earnings per share rose to 13.9p (13.4p).

The directors proposed a final dividend of 6.5p (5.4p), making a total of 13.9p (13.4p) for the year.

Comcap moves ahead and completes venture scheme

Comcap, supplier of IBM computer equipment, boosted its pre-tax profits by 47 per cent from £5.19m to £7.63m in 1986. Group turnover rose from £53.74m to £82.47m, a jump of more than 53 per cent.

Mr Ernst Schneider, chairman, said that the year had been a record one. He also reported completion of arrangements relating to the financing of the £60m Brunel Centre development, a 4.9-acre waterside site in the London Docklands Enterprise Zone, with the subscription of a third member, MBO of Holland, to join Comcap and the British Land Company in the joint venture company.

He said that there had been a substantial increase in activity in the group's computer business which had resulted in a 55 per cent increase in its turnover. By continuing to focus the group's attention on its traditional business of dealing in peripheral equipment and medium-range mainframes, Comcap had achieved another improvement in the gross margin to 16.8 per cent (14.9 per cent).

The group's performance in the UK and Denmark had been excellent; in Germany it had maintained steady progress with operations opened in 1985 now firmly established; leasing activity in Switzerland had increased while the Dutch subsidiary had had a disappointing year in a particularly competitive market; the new French subsidiary had been performing encouragingly.

The equipment portfolio now stood at £140m while the group's software activities have continued to develop, with some notable successes being achieved. The profits contribution of non-computer-related activities had fallen from £1.04m to £926,000.

Net interest charges rose to £1.11m (£567,000) and Comcap paid its £730,000 (£718,000) tax overseas. Minority interests took £477,000 (£273,000) and extraordinary items £77,000 (nil). Earnings per share rose to 30.33p (20.32p) and a proposed final dividend of 1.25p (0.9p) makes a total of 2p (1.5p) for the year.

Williams

Williams Holdings has been quick off the mark, dispatching its formal offer document only one day after launching its £540m hostile bid for Norcros.

Norcros repeated its rejection, saying that the proposed takeover offered no commercial or financial advantage to its shareholders. Williams shares gained 7p to 752p, to make its share offer worth about 431p. Norcros was 7p higher at 429p.

P-E International keeps up progress with £2.2m

P-E International, the consulting services group which came to the market last May, has maintained the rapid progress reported at the interim stage in September when pretax profits showed a gain of 68 per cent.

In the full year to December 31, 1986, profits jumped 68 per cent from £1.3m to £2.22m while stated earnings per share were up 82 per cent from 6.6p to 12.0p per 10p ordinary.

Mr Hugh Lang, the chairman, stated that the oil price collapse early in the year slowed-down the growth in the oil, gas and chemicals sector where fees showed a 9 per cent increase to £7.48m. This was more than compensated for by extremely high growth in transport, retail and distribution (up 40 per cent to £2.42m), financial services (up 134 per centt o £2.09m) and government (up 83 per cent to £2.69m).

Other fee income fell by 22 per cent to £775,000 leaving the percentage increase for the year as a whole at 24 per cent to £24.13m, compared with the 37 per cent advance at the halfway stage.

Mr Lang concluded that the consulting services market had continued to expand and that 1987 had started well with the outlook for the year ahead "very encouraging."

At the trading level profits were up from £1.54m to £2.13m and there was net interest of £87,000 (charge of £218,000). The trading figure included a reduction in pension payment of £364,000. After tax of £846,000 (£623,000) net profits were £1.37m (£701,000).

There was an extraordinary credit of £698,000 relating to the sale of part of the Egham estate for the purpose of the construction of a new office building which will be leased by the group from mid-1987.

A final dividend of 2p (1.8p), making 3p (1.8p) per share, has been proposed.

● comment

P-E International first results since flotation has demonstrated the growth potential of the management consultancy business to the stock market. Its results for 1986 were impressive but, cynics might say, only what was expected. The group avoided a back-lash from falling oil prices which hit some of its clients and is keen to expand other areas were it has strengths. This year should see further steady progress perhaps fuelled by a first acquisition. Pre-tax profits for this year of about £2.7m are forecast which at 195p, up 7p, gives a prospective p/e of 13½. The company stands alone in its category on the Stock Exchange so comparisons are difficult but compared with the market average it looks attractive. The danger for a group such as this is that it gets used to having growth handed to it on a plate. With a little more zest for profit-seeking opportunities it could prove irresistible.

ASD lower at £2.4m

ASD, formerly Associated Steel Distributors, suffered a fall in pre-tax profits in 1986 from £2.62m to £2.43m. The directors said that while the result appeared disappointing, in the context of the severe competition in the industry, it was satisfactory.

Turnover improved by £11m to £71.21m, which included £11.5m from the acquisitions during the year which contributed £300,000 to profits. Earnings per £1 share for this USM-quoted company came out at 23.1p (24.2p).

The directors are proposing to increase the final dividend by 0.5p to 4.5p, making a total for the year of 8.5p.

Steel stockholders had generally reported fierce competition, patchy demand with a downturn in North Sea oil-related business and extreme pressure on margins said directors. In the first half of the year profits had fallen by 14 per cent, but as expected, the second half had proved better.

The tax charge was £775,000 (£929,000) and dividends absorbed £609,000 (£573,000) leaving profit for the year at £1.4m (£1.11m).

The figures do not include any contribution from Davy Stockholders, the purchase of which was completed on December 31.

Directors said that despite the highly competitive conditions they remained confident

Central TV 27% ahead at £16m

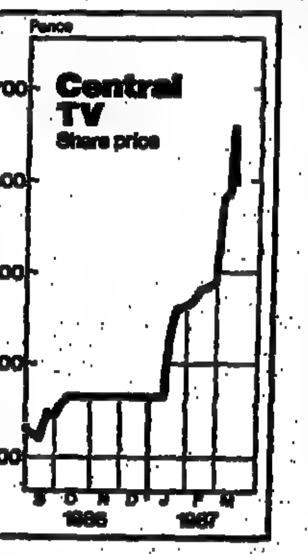
Central Independent Television, ITV contractor for the Midlands, increased pre-tax profit by 40 per cent from £11.9m to £16.6m in 1986. Turnover was up from £165m to £195.2.

The shares fell back sharply, however, losing 60p to 590p.

Net advertising revenue was 16 per cent higher at £162m despite a fall in market share from 14.3 per cent to 13.7 per cent. Overseas sales and other income was up by a third to £33m.

Central will explore further expansion to develop new sources of income. Mr David Justham, chairman, said: "Now that Carlton Communications has become a major shareholder, we look forward to exploring with them how we can work together to our mutual advantage."

Carlton, the fast-growing television production facilities company, bought Ladbroke Group's 20 per cent stake for £29.5m earlier this month. With Central raising the final dividend to 13p (10p), for a total of 17p (12.5p), Ladbroke will collect a final payment of more than £650,000.



● comment

Yesterday's 60p fall in the Central share price overstates market disappointment that its results were not quite the spitting image of its forecast-beating metropolitan counterparts. It bore the brunt of trade press headlines doubting the buoyancy of ITV ad revenue; and share trading was even thinner than usual. In any case, Central's spell in the limelight (as Cyril Stein passed the shares to Michael Green's perhaps more active hands) had bounced its price a touch beyond the pack. With a recovery in market share, £18.5m pre-tax is a good target for 1987. The rise in earnings per share to 45p would not match last year's 53 per cent advance but the p/e of 13 still leaves room for a 10 per cent upward creep if Central is to keep pace with the sector's leaders. By no means, however, should searchers for undervalued and overlooked ITV franchise holders put Central at the top of their list.

Canning profit up by 62%

W. Canning, West Midlands manufacturer of chemicals, electronics and metals, produced a 62 per cent improvement in year-end pre-tax profits to £3.02m after a good all round performance.

Turnover for 1986, rose by almost 14 per cent from £63.85m to £72.66m.

Mr David Probert, chairman, said gearing had risen to 34 per cent, largely because of the growth of the medical services business in the US. But the flotation and subsequent capitalisation of Medserv, would strengthen the balance sheet and provide greater opportunities for future growth.

Medserv returned a 62 per cent profits increase to £1.02m. It has restructured the loss-making Denticon group of dental laboratories, bought late in 1985, and returned it to profit.

In the metals division, John Betts Refiners continued to suffer from low silver prices. But it managed to turn a £252,000 loss in 1985 into a near-break even figure of £9,000 losses for 1986 after a reduction of operating costs which included some redundancies.

The chemicals division produced a 24 per cent rise in profits to £2.17m after higher redundancy costs of £228,000 (£124,000). Strong performances in metal finishing chemicals and in the company's German operations more than offset the effect of the downturn in demand from the oil industry.

The electronic component distribution division more than doubled its profits from £214,000 to £540,000 despite a difficult year for the French market with pressure on prices and margins.

After tax of £1.32m (£785,000) and minorities of £77,000 debit (£54,000), earnings per share rose 59 per cent to 9.56p (6.03p).

The higher tax charge of 44 per cent reflects the increasing proportion of profits being earned in the US, West Germany and France, which have higher corporate tax rates.

An extraordinary credit of £167,000 (£34,000 debit) relates principally to the sale of an investment reduced by closure costs in the metal refining subsidiaries.

The new year had opened well, said Mr Probert, and the group looked forward with confidence to further growth in profit and earnings per share.

The board has recommended a final dividend of 2.8p per share (2.4p), making 4p for the year (3.55p).

Automated Security lifts profits 43% to £12.4m

Automated Security (Holdings), which claims to be the country's leading electronic security company, reported a 43 per cent increase from £8.7m to £12.4m in pre-tax profits for the year to November 30 1986.

Mr Tom Buffet, the chairman, said that he strongly believed that the potential for the core business at Modern Alarms had never been better. The factors influencing market growth had been greatly enhanced by the renewed initiatives of Government, police authorities and insurers to encourage proper security measures for the protection of private property. Modern Alarms was in an excellent position to take full advantage of the opportunities those factors presented.

In other areas of operation Mr Buffet said that the ASH Group had continued to build its customer base and, as a result, the number of security systems under contract rose to over 105,000.

Major progress had been made by the international division in 1986, especially in the selling and rental of Securitag systems in Europe.

Turnover in 1985-86 rose 38 per cent from £37.6m to £51.9m; operating profits were 31 per cent better at £13.2m (£10m) and rental income was up 32 per cent to £18.6m. After tax of £2.5m (£742,000) and minorities of £8,000 (£34,000) net profits for the year were £9.9m (£7.5m).

The total dividend is increased from 1.5p to 1.8p with a proposed final of 1.14p. Stated earnings per share were 13.3p (12.77p).

HALF OF PROFITS FROM AEROSPACE ON 19% OF TURNOVER

Lucas improves 5% to £40m

BY CLAY HARRIS

Lucas Industries, motor components and aerospace group, increased its interim pre-tax profits by only 5 per cent to £40m (£38m), at the low end of market forecasts. Its shares lost 22p to 571p yesterday.

The company also announced that Sir Godfrey Messervy, chairman and chief executive since 1980, would retire in July, at the end of the financial year. He will be succeeded by Mr Tony Gill, group managing director and deputy chairman.

Mr Gill in turn will be replaced by two managing directors, Mr Alan Watkins for aerospace, Mr Bob Dale for automotive operations. Each will be chairman of all subsidiary companies in his division.

In the six months to January 31, aerospace contributed nearly half of pre-tax profits on less than 19 per cent of group turnover which rose by 4 per cent to £825m (£791.8m). At £18.5m (£15.5m), aerospace profits were barely behind the £19m (£18.6m) from an automotive side which had nearly four times the turnover.

Profits from industrial systems, for which Mr Gill will retain direct responsibility, fell to £2.5m (£3.9m).

The pre-tax total was reduced by increased reorganisation and redundancy costs of £3.6m (£1.3m), but was £11m higher than it would have been if Lucas was not in the second year of a four-year holiday on contributions to its pension funds.

Sir Godfrey said yesterday that underlying performance would continue to improve in the second half. He expected profits, however, to be restrained by continuing weak demand for commercial vehicles and agricultural tractors and recession in the US electronics market.

Any activities that could not be made profitable and internationally competitive would be put into joint ventures, sold or, in the last resort, closed.

The benefits of restructuring should come through in the next financial year, Mr Gill said. On the automotive side especially, Lucas expected additional progress from higher-value products such as its anti-lock braking system, petrol injectors and engine management systems like that designed for Jaguar's XJ40 model.

Within automotive, UK sales fell by £14m to £282m and the pre-tax loss was cut to £2.8m (£5.8m) despite higher redundancy costs. Profits improved to £13.5m (£10.2m) elsewhere in Europe but were more than halved to £6.3m (£12.8m) in the rest of the world, reflecting petrol injector start-up costs in the US and difficult trading conditions in South America.

Lucas is spending £90m annually on research and development and £40m on training and retraining, for a total of more than 8 per cent of turnover.

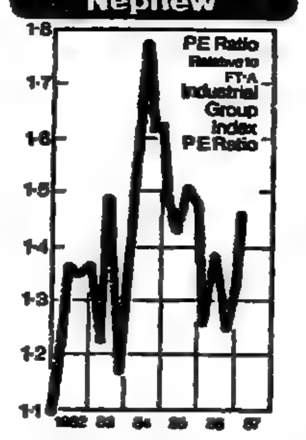
An increased tax charge of £10.4m (£7.1m), reflecting higher payments in West Germany and France, reduced after-tax profit to £29.6m (£30.9m). After minorities of £1.5m (£2.4m), attributable earnings of £29.6m (£30.9m) created earnings per share of 22.9p (26.9p). The interim dividend is unchanged at 2.6p.

See Lex and Men and Matters

Smith & Nephew advances to £88m

Smith & Nephew Associated Companies, the medical and healthcare company which produces Nivea and Elastoplast, produced a 24.9 per cent increase, from £70.6m to £88.2m in pre-tax profits for the 53 weeks to January 3 1987.

Total sales of the group rose from £446.7m to £504m with medical and healthcare products accounting for just over 58 per cent. Sales in personal hygiene, toiletries, medical and other textiles all showed some improvement as did profit margins. The exception was plastics and tapes where sales fell from £92.1m to £88.6m and operating profits shaded from £7.8m to £7.7m.



Sales by geographic region showed North America in the lead with 34 per cent of the total at £173.1m followed by the UK with £159.3m or 32 per cent. But profit margins at 20.2 per cent were much better in the UK; Europe followed with margins of 16.9 per cent, Africa and the Middle East with 16.2 per cent, Australasia and Asia showed margins of 13.8 per cent while North America came bottom of the table with 12.7 per cent. Profit margins overall were 16.1 per cent compared with 14.9 per cent for 1985.

Operating profits last year were up by 21.9 per cent from £66.7m to £81.3m; after deducting the net cost of borrowings of £1.1m (£4m), adding attributable profits of related companies of £8m (£7.9m) and deducting tax of £27.8m (£23.0m) net attributable profits come out at £60.4m (£47.6m).

Earnings per share showed a gain of over 20 per cent from 5.9p to 7.1p and the board expected that further growth would be satisfactory. The final dividend is 1.97p (1.63p) making a total of 2.8p (2.33p).

United Newspapers boosts profits by 62% to £57m

United Newspapers, publisher of the Daily and Sunday Express and the Star, boosted its pre-tax profits by 62 per cent to £56.6m after good performances from its regional newspapers, magazines and retail news shops.

Mr David Stevens, United chairman: confident of improvement

The group plans to seek a listing on the US listed securities market by obtaining a National Market System (NASDAQ) quotation and an associated ADR issue, said Mr David Stevens, chairman.

Turnover for 1986 almost doubled from £312.25m to £620.29m, but earnings per share fell from 27.2p to 25.3p.

This was due to the number of new shares issued when Fleet Holdings was acquired in October 1985, and the fact that the benefits of rationalisation at Express Newspapers took effect only in the second half, said Mr Stevens.

The increase in the final dividend from 10p to 10.5p was modest but prudent in the context of reduced earnings and the need to increase dividend cover.

"I am confident that there will be a good improvement in earnings this year and further dividend growth," he said.

United's national newspapers quadrupled profits to £13.58m, while its regional newspapers produced £10.3m, almost 64 per cent higher.

Advertising periodicals improved by 42 per cent to £11.8m and magazines from £2.42m to £8.57m. The retail division rose from £890,000 to £1.66m, helped by the acquisition of more retail outlets.

Total UK trading profit more than doubled to £44.97m.

In the US, PR Newswire, United's news transmission company, increased dollar profits by a third in an intensely competitive market, said Mr Stevens.

Miller Freeman Publications, the west coast magazine company, increased its dollar profits by 85 per cent helped by acquisitions. Gralla Publications maintained its profits. Total trading profit for the US rose by nearly 14 per cent to £16.47m.

The reorganisation of the group following the absorption of the Fleet companies was completed early in 1986.

"The potential contribution to profits from the national newspaper division is substantial," said Mr Stevens.

The departure of 2,127 regular employees and the elimination of 1,628 casual shifts had been negotiated and completed according to plan. "Active consideration is being given to the printing requirements of Express Newspapers and an announcement will be made shortly," he said.

Tax rose from £11.23m to £19.3m. Extraordinary items of £30.3m (£1.43m loss) reflected the sale of United's holdings in Yorkshire TV and TV-am, the sale of property, and profits on investments.

Brown Boveri second half below target

Tighter margins and higher costs left second half profits at Brown Boveri Kent (Holdings), industrial instrument manufacturer, slightly below expectations at £5.33m, against £5.28m, but overall 1986 taxable surplus increased by nearly 10 per cent to £9.65m.

Because of reduced investment in the oil and its related industries, and to more intense competition that resulted, orders were down marginally compared with 1985, but turnover expanded by 16 per cent from £118.57m to £137.2m.

The directors pointed out that in contrast to the previous year, exchange rate fluctuations had no detrimental effect on 1986 consolidated results.

Higher tax charges, as a result of increased dividends on the enlarged share capital from last year's rights issue and a rise in overseas profits, had a moderating effect on net profits, the directors stated, which compared with 1985, rose by 4.4 per cent to £6.8m.

The dividend is stepped up from 3p to 3.5p with a final payment of 2.25p.

The directors said that funds raised from the £9m issue would enable the group to actively pursue plans to expand the business through market development.

Molins ahead at £9m pre-tax

AS EXPECTED, tobacco machinery profits of Molins were lower in the second half of 1986, but overall group surplus came through ahead from £8.1m to £9m pre-tax. Profits at halfway amounted to £4.6m against £2.5m.

Market conditions, in every sector of the group's business, were currently very difficult, directors stated, and were likely to continue to be through 1987. However, they were optimistic about prospects for the tobacco machinery division, following the successful launch of two systems, although the normal delay in building up volume orders for new equipment would make the current year a difficult period.

Group sales for 1986 totalled £122.9m compared with £116.3m, split between tobacco machinery £86.6m (£74m) and corrugated board machinery with £36.3m (£42.3m). Trading profits were £9.5m, against £8.3m, and were split as to tobacco £7.8m (£6.4m) and corrugated board £1.7m (£1.9m).

Substantially increased sales of rebuilt tobacco machinery and a better performance from the overseas operations both contributed to the profits rise from this division.

Results from the corrugated sector were achieved against a background of a difficult market overall, in the US and in Europe, within which competition for business kept selling prices and margins unduly low, the directors said.

Commenting on new developments in the group, the directors pointed out that the advanced technology unit at Warwick University Science Park made a significant contribution to the group's new product development programme, including an electronic management system for tobacco machinery.

They added that licence agreements under Molins System 24 patents with General Motors and Caterpillar, and other licences shortly to be completed, would contribute to 1987 and to subsequent years' profits.

After tax of £3.5m (£2.5m), earnings per share were given as 19.1p (19.2p), while the dividend is stepped up to 8.7p (7.9p) with a final payment of 6.5p.

● comment

Molins has something of a jam tomorrow reputation. In the 1980s turnover has averaged £126m a year and pre-tax profits £7.5m, close enough to these figures once the £850,000 pension fund gain and the accelerated R&D programme is considered. And this year could see much the same again. However, behind the scenes Molins has been doing a lot to upgrade its products—so much so that the company now has to be rated an expert designer of high-speed production and control systems. A couple of years ago Baker Perkins cast its slide rule over Molins but did not make a move. Perhaps someone will now be more concerted. At 222p, down 14p thanks to the bearish tone of the statement accompanying these figures, the shares are only just above net asset value. This suggests that Ron Brierley's 24 per cent stake (acquired for around 150p average) and the prospects beyond this year are in for nothing.

John Jacobs profits slip back

John I. Jacobs, shipbroker and owner, saw profits drop from £1.31m to £894,000 during 1986 on turnover which moved up from £1.75m to £2.02m.

Administration expenses rose from £621,000 to £885,000 and included a £232,000 paid to past directors in settlement for termination of service agreements and payments of pension in respect of past service.

Earnings per 20p share were 3.35p (4.25p) and the proposed final dividend orf 2.5p (2.3p) makes a total of 3.9p (3.6p).

All-round progress boosts Baird

William Baird, a textile and engineering group, lifted its pre-tax profits from £14.55m to £18.65m in 1986 as both its main areas of interest Baird Textiles and Darchem boosted operating profits.

Group turnover rose from £244.02m to £252.51m, with Baird Textiles contributing £177.16m (£168.16m) and Darchem contributing £75.36m, down slightly from its record of £75.87m last time.

Baird Textiles made operating profits of £13.43m (£11.81m) and Darchem made £6.84m (£5.1m). Investments chipped in with £876,000, down from £974,000.

The proposed final dividend of 9.13p, up from an adjusted 7.81p, makes a total of 14.8p (12.9p).

Mr Donald Parr, chairman, said turnover in the textile business had been affected by the poor spring weather but had improved in the second half along with a small improvement in margins. Manufacturing activities had been improved with the help of investment in computer-controlled equipment

The division had acquired Landyard, an overseas clothing supplier, and Robenau, an established UK toy distributor, during the year. Dannimac had achieved further sales and profit growth.

Mr Parr said that development overseas had continued.

Darchem's profit progressed satisfactorily, he added. The volume of activity on contracts for thermal shields an advanced gas-cooled reactors had been considerably lower.

Tax charges rose from £3.86m to £6.54m and earnings per share rose to £42.9p (37.9p).

Desoutter up to £4.95m

Desoutter Brothers (Holdings), precision mechanical engineer, improved its pre-tax profits by 5 per cent from £4.7m to £4.95m in 1986, on turnover which rose from £32.97m to £39.19m.

The directors proposed a final dividend payment of 5.2p (4.8p), making a total of 7.7p, compared with 7.3p last time.

He said that strong growth and currency fluctuations had combined to produce the increase in group sales. Interest payable took £400,000 (£282,000).

He said that in 1985 the tax charge had been reduced by a write-back of £1m from the deferred tax reserve. After adjusting for this, the consolidated profit after taxation showed a 6.4 per cent increase.

Tax charges came to £1.78m compared with the 1985 figure of £732,000 while earnings per share fell from 31.8p to 25.2p

New-style Asset Trust above £1m

Asset Trust, which during the year changed an investment trust to a fund management business, reported pre-tax profits for 1986 of £1.04m on turnover of £1.42m. In the previous nine-month period the company had profits of £308,752 on turnover of £572,708.

The company changed its status following the acquisition of Guildhall Investment Management in January 1986. Asset also bought Heritable Investment Management in August. Both have been accounted for using merger accounting principles.

Directors reported at the end of the previous period that the changes were being made to take advantage of Big Bang.

Tax took £367,449 (£115,224) and there were minority interests this time of £8,000, leaving profit for the year of £670,000 (£194,000).

Earnings per 10p share were 4.88p (1.41p) basic or 4.07p (1.19p) fully diluted. Directors are recommending a final dividend of 2p (0.25p), giving a total of 3p (0.75p).

Cats' US tour helps Really Useful profits

THE SUCCESS of the touring production of Cats in the US and the contribution from the Palace Theatre, London, in which Les Miserables continues to play to capacity audiences, were the principal reasons for the Really Useful Group, music publishers and theatre owners, being able to lift its pre-tax profits from £2.03m to £2.51m in the six months to December 31, 1986.

The group, founded by Mr Andrew Lloyd Webber, the composer, lifted turnover from £7.51m to £9.38m.

In the UK, Cats and Starlight Express continued to perform strongly while the Phantom of the Opera established itself as a phenomenon but was not expected to make a significant contribution to profits in the current financial year.

In the US, Cats on Broadway, the national touring company, and the bus and truck company performed strongly. Starlight Express opened this month to acclaim in New York, and Phantom of the Opera is due on Broadway in the autumn.

After tax charges of £877,000 (£801,000), earnings per share worked through at 14.8p, up from 12.3p last year. The declared interim payment was lifted from 12.3p to 14.8p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Asset Trust	2	May 5	0.25	3	0.75
ASD	‡4.5	—	4	8.5	8
Automated Sec	1.14	May 29	0.95	1.8	1.5
Wm Baird	9.13	July 3	7.81*	14.8	12.9*
Blenheim Exhibit ...int	1.05	—	—	—	0.7
Brake Bros	¶1	July 3	—	1	—
Brown Boveri	†2.25	—	2	3.5	3
W. Canning	2.8	July 1	2.4	4	3.55
Central Inde TV	13	—	10	17	12.5
Clondalkin	‖5.5	—	—	8.97	8.15
Comcap	1.25	—	0.9	2	1.5
Fredk Cooper ...int	†0.85	July 1	nil	—	nil
Croda	5	—	4	8	7
Desoutter Bros	5.2	May 9	4.8	7.7	7.3
Ealing Electro	1.5	May 27	1.5	2.2	1.5
R. & H. Hall	§3.3	—	3	4.3	4
John I. Jacobs	2.5	—	2.2	3.9	3.6
Kwik-fit	1.2	July 1	0.88	2.2	1.68
Lucas Ind ...int	2.6	June 11	2.6	—	13
Metal Closures	5.2	May 18	4.5	7.4	6.7
Molins	6.5	May 29	5.7	8.7	7.9
P-E International	2	May 26	1.8	3	1.8
Petranol	nil	—	1.5	nil	1.5
Rotork	6.5	May 29	8	13.9	13.4
Sheldon Jones ...int	‡1.35	—	1.35	—	4.65
Silkolene	3	May 18	3	6	6
Stewart Wrightson	8.8	—	7.85	13	11
F. W. Thorpe ...int	2	May 21	1.8	—	4.8
Utd Newspapers	10.5	—	10	16.5	16

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Shares offered for sale in November 1986. National annual rate of dividend is 2.2p. ‖ Irish pence throughout.

COMMODITIES AND AGRICULTURE

Tony Hawkins on prospects for Zimbabwe's tobacco auctions

Gloomy smoke signals for Harare

ZIMBABWE'S FLUE-CURED tobacco auctions open here next Tuesday amid expectations of lower leaf prices and difficult trading conditions. With Zimbabwe's balance of payments undergoing severe strain—debt-service payments will absorb more than 30 per cent of export earnings this year—the auctions assume greater importance than ever since tobacco is the country's main export, earning some $260m last year, more than a fifth of merchandise export revenues.

Because of last year's buoyant leaf prices—up more than 18 per cent in local currency terms and 13 per cent in US dollars—and the squeeze on farm profitability in other crops, especially maize, the area planted out to flue-cured leaf this season was raised 20 per cent to 68,000 hectares. As a result the industry is expecting a crop of around 140m kgs—22 per cent higher than last year's.

Indeed the crop would have been substantially larger—perhaps as much as 155m kgs—had it not been for the six-week spell of very hot, dry weather that broke this week when welcome rains fell in some tobacco growing areas. Crop yields declined during the drought and both buyers and growers say leaf quality has suffered.

The much larger crop with more low quality tobacco is coming on to the floors at a time when both supply and demand factors are less favourable than for some years. On the supply side the main change has been the recovery in Brazilian output after last year's drought. Brazil's production, which fell 15 per cent to 200m kgs last year, is estimated to have increased 20 per cent to 240m kgs in 1987, and the quality is said to be the best for at least four years.

At the same time, the US Government has accelerated the rundown of its leaf stockpile to the point where, in some cases, manufacturers are being offered discounts of as much as 90 per cent on prices, thereby increasing cost-consciousness among manufacturers at a time when demand is stagnant, if not declining, in most industrial economies.

Nevertheless, buyers say that prices for high quality leaf may be maintained or even increased this year. Lower qualities, however, are likely to be down significantly in price from 1986, thereby dragging down the average. Given the free market nature of the Harare auctions, price forecasts are notoriously unreliable but the consensus at present is that the seasonal average will fall by some 15 per cent to around 267 Zimbabwe cents a kg (163 US cents).

It is still unclear, however, just how seriously the crop has been affected by the drought. This week's rains could improve the late-planted crop thereby reducing the low quality ratio to some extent.

ZIMBABWE TOBACCO GROUP	Volume (kgs)	Value (US$)
1986	115m	215m
1985	108m	180m
1984	120m	193m
1983	94m	172m
1982	87m	182m
1981	70m	182m
1980	123m	153m

A second crucial imponderable is the exchange rate. Currency depreciation has played a vital role in improving the earnings of the countrys 1,550 flue-cured leaf producers. Since official independence in 1980 the local currency price of tobacco on the auction floors has almost quadrupled while the US dollar price has risen only 50 per cent and last year was 28 per cent below its 1981 peak.

The Zimbabwe dollar weakened some 13 per cent against a basket of currencies last year, but most tobacco is traded in US dollars.

A third imponderable is the political one. While the threat of sanctions against South Africa, which could disrupt tobacco export routes, appears to have receded, Pretoria, anxious to protect its own leaf producers, as well as making a political point, has imposed a R2 (95 US cents) per kg import tax on Zimbabwe leaf. This is likely to reduce exports to South Africa — Zimbabwe's fourth largest market, after Britain, Belgium and the Netherlands. Significantly, leaf from Malawi—which is on better terms with Pretoria—is exempt from the tax.

There is also some anxiety about the attitude of the banks, which appear more cautious than hitherto about lending to merchants for tobacco purchases, reflecting their concern about the likely future trend in leaf prices.

Despite these problems, tobacco will remain the country's chief export, with foreign sales in excess of $250m annually. The main importer of Zimbabwe tobacco is the UK which last year took 16 per cent of the crop while about half was sold to EEC countries. Grower income which totalled some Z$359m (US$215m) last year is unlikely to increase much and may even decline, depending on the final crop size and price trends on the auction floors. With costs rising 15 to 20 per cent annually, some of the smaller and less efficient growers—and those who bore the brunt of the drought—could face a very difficult year, but for established growers, and those producing irrigated or early planted leaf (less affected by the drought), tobacco remains a more attractive and higher-return activity than other crops or livestock.

Increases in capacity blamed for depressed metal markets

BY STEFAN WAGSTYL

CHANGES IN production capacity are more important in influencing metals and minerals prices than changes in actual output, according to a report published by the World Bank.

In a mathematical study of various metal and mineral markets over the past 25 years, the report concludes that the reason prices are depressed today is because of capacity which was brought on stream in response to high prices in the 1970s.

In itself the thesis that capacity levels are an important determinant of price is not new. What is novel is the firmness with which the report rejects changes in supply levels as a significant influence.

Mr P. H. Kevin Chang, the report's author, suggests that changes in demand for metals and minerals may, as a result, be more important than previously thought in determining prices.

He also challenges the theory put forward in a World Bank paper last year arguing that exporting countries were encouraged to increase production so as to maintain export earnings. Looking at two of the most important producers, Chile in copper and Brazil in iron ore, Mr Chang says increases in output in the 1980s were due to large-scale investment in low-cost production.

Taking two other examples of countries which have seen their currencies decline in real terms in the 1980s, Canada expanded exports of zinc but not of copper and lead, whereas Australia increased output of copper but not of lead, zinc and iron ore. There is no evidence, says Mr Chang, of increases in supply being stimulated by currency depreciation.

Looking specifically at debt-burdened developing countries, Mr Chang rejects the argument that these nations might have been pressed by their borrowings to expand either production of metals and minerals or of agricultural exports. A Study of the relationship between prices and debt in 1980-86 found no compelling evidence of the relevance of debt

Mr Chang concedes that the supply of agricultural exports has been increased, of cotton for example. But he says economists must look elsewhere than debt-servicing for reasons. He suggests consecutive years of good weather and "the influence of agricultural price-support policies by the United States" are relevant.

The Role of Developing Country Debt and Currency Devaluation in the Current Commodity Slump, Division Working Paper 1987-1, Commodity Studies and Projections Division, The World Bank, Washington.

EEC sugar tender 'concession'

THE EXPORT subsidies granted at yesterday's EEC sugar tender represented a further concession to producers' complaints that they are losing money on exports outside the Community, traders said, reports Reuter from Brussels.

They said the maximum rebate of 45.678 European currency units (Ecus) per 10 kg was 0.87 Ecus below what producers claim is needed to obtain the equivalent price to that offered for sales into intervention.

The rebate at last week's tender was 1.3 Ecus short of the level producers thought necessary and that of the previous week was 2.5 Ecus short.

But the traders said producers who have offered a total of 854,000 tonnes of sugar into intervention in an apparent attempt to persuade the commission to set higher maximum rebates have given no formal indication to the Commission that they intend to withdraw these offers.

The French and German operators involved would be able to withdraw the offers up to five weeks after April 1.

The five-week period is the normal delay between sugar going into intervention and payment being made for it.

EEC officials have said that if the Commission has to buy the sugar, it is determined immediately to resell it, a move which could drive down market prices further.

Snow storms boost Chicago cattle prices

By David Owen

LIVE AND FEEDER cattle prices for nearby delivery months moved higher this week on the Chicago Mercantile Exchange in response to unseasonable heavy snow storms in the Midwest.

At close of trading on Wednesday, the April live cattle contract was approaching its lifetime high at 67.95 cents a pound—up 1.80 cents from last Friday's close. March feeder cattle, meanwhile, rose to 69.10 cents a pound, a gain of 0.50 cents over the same period.

While the death count remains uncertain, the storms' impact is thought to have been exacerbated by the hihger-than-normal number of animals already in the fields according to Mr John Kelly, an analyst with Geldermann in Chicago.

Trader views on the longer-term implications of the snowfall are mixed. "I think the highs will be put in for the year over the next few months," said Mr Bill Ardt of Chicago-based Dean Witter Reynolds. Mr Kelly disagrees. "These things normally turn bearish later when things start moving again," he said.

Growth in aluminium recycling 'to continue'

BY DAVID BLACKWELL

THE RECYCLING of aluminium will continue to rise, according to a review by Shearson Lehman, the brokerage house, and this will in turn continue to dent the market for primary aluminium.

The cost savings offered by production of secondary aluminium are high. It takes about 15,000 kilowatt hours (kwh) of electricity to produce one tonne of primary aluminium compared with about 550 kwh for one tonne of secondary metal.

In addition advances in technology now enable alloys of higher purity to be produced by the secondary aluminium industry, says the review.

In the US, which has a huge scrap reservoir, the major factor contributing to the steady growth in the direct use of scrap has been the recycling of used drink cans—and there is evidence that the trend is increasing elsewhere. The number of used cans collected in the US in 1985 was more than eight times higher than in 1975.

India cuts coffee duty

BY P. C. MAHANTI IN CALCUTTA

INDIA HAS slashed its coffee export duty from Rs 6,000 (£300) to Rs 3,300 a tonne.

The move is in response to fears of increased competition on the world market following the recent failure of the International Coffee Organisation (ICO) to agree terms for the resumption of the export quota system which was suspended because of high prices in February last year.

Local producers are not entirely satisfied with the cut, however. They feel that the extreme weakness of the market at present would have justified the complete abolition of the duty.

India is no a major coffee exporter but it has a large exportable surplus this year. The 1986/87 crop is estimated to have reached 170,000 tonnes, up 40,000 tonnes from 1985/86. Unlike tea, the home market is rather small and can absorb, at most, 70,000 tonnes.

Ecuador seeks oil loan from Nigeria

EARTHQUAKE-stricken Ecuador is negotiating with Nigeria to have the African country lend it 10,000 barrels per day of crude oil for export, Deputy Energy Minister, Mr Fernando Santos Alvite, said, Reports Reuter from Quito.

He said Ecuador was negotiating a shipment schedule and terms for repaying the loan.

Ecuador ahas suspended its crude oil exports for about five months until it reairs a pipeline ruptured by a March 5 tremor.

Mr Santos Alvite added that Ecuador is also finalising details of a programme under which Venezuela would temporarily lend his country 50,000 barrels per day for export.

Soviet grain imports put at 29m tonnes

BY RICHARD MOONEY

THE INTERNATIONAL Wheat Council (IWC) has raised its forecast for Soviet grain imports in the 1986-87 season by 3m tonnes to 29m tonnes (still 1m tonnes below the 1985-86 figure) in response to recent large purchases of maize. It expects wheat purchases to amount to 16m tonne and coarse grains to 12m, with other grains (including rice) accounting for the remaining 1m tonnes.

The revised forecast, published in yesterday's monthly Market Report, follows one issued by the US Department of Agriculture (USDA) earlier in the week which also raised the Soviet import forecast by 3m tonnes, but to only 26m tonnes.

The USDA attributed the increase to weather damage to Soviet winter crops, but the IWC offers two alternative explanations. One is higher animal feed requirements — partly because of record livestock numbers on state and collective farms and partly because of hte severe winter. And the other is the attraction of low price levels on the international market.

The Market Report is still quoting the official estimate for the 1986-87 Soviet grain crop of 210m tonnes, comprised of 92m tonnes of wheat, 104m of coarse grans nd 14m of other grins. But it has raised its estimate of the world grain crop to a record 1,377m tonnes from 1,376m a month ago and 1,351m in the 1985-86 season. The world wheat production figure is also raised by 1m tonnes, to a record 534m, compared with 505m in 1985-86. The world coarse grain output forecast is unchanged at 843m tonnes, down 3m from the 1985-86 record of 846m tonnes.

The world wheat trade forecast remains at 86m tonnes, compared with 84m for 1985-86, while the coarse grain trade forecast is raised by 2m tonnes from 85m, which would have been unchanged from 1985-6.

The IWC expects 1987 wheat production to be affected by the unusually severe northern hemisphere winter, low world prices and more restrictive national policy measures. "At least four of the five major exporters expect to see a drop in wheat sowings, which is unlikely to be compensated by any marked increase in other exporting or importing countries," the report says.

"While the potential for even higher average wheat yields remains, there are increasing signs that world output may level off in 1987." The IWC therefore sticks with its earlier projection that 1987 will see world wheat production at between 520m and 530m tonnes.

Options for cutting support costs

GOVERNMENTS searching for ways of reducing the cost of supporting wheat producers' incomes in the face of depressed world prices have three basic courses of action open to them, the International Wheat Council says.

"They may continue to support wheat output, albeit somewhat less generously, until the world economic situation improves and brings a recovery in import demand for wheat. For some countries this could involve the continued payment of high rates of export subsidy.

"The least attractive option, in political terms, would be to limit support to those quantities which can be readily sold without prolonged storage. Inevitably, this approach would mean that many producers would have to abandon wheat production.

"Lastly, governments could give more active consideration to emphasising the distinction between the commercial and social aspects of agriculture, perhaps by varying support prices according to farm size or overall level of production."

LONDON MARKETS

THE LONDON Metal Exchange copper market continued this week's fitful performance yesterday with the cash price rising £17.50 to close at £944 a tonne. That rise wiped out Wednesday's £16.50 fall, which had, itself, virtually wiped out Tuesday's £17.50 rise. The justification for the market's extraordinary behaviour has been the ebbing and flowing of concern about an approaching supply squeeze, which has been reflected in the alternate widening and narrowing of the cash premium over the three months position (known as the backwardation because it is the reverse of the usual cash discount). Although moving in the same directions as the cash quotation the three months price has been much less excitable with daily movements of £5 or £6 a tonne. Apart from supply concern in the aftermath of the protracted closure of Asarco's Horne, Quebec, smelter the squeeze fears have been a reflection of the heavy exposure of the granters of options due at the end of March and April. If the market holds at current levels these options will be operated and the granters will have to cover by buying on the LME. Many have already done so and that has contributed to the recent sporadic rises.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Mar. 26	Mar. 25	M'th ago	Year ago
1534.7	1528.9	1588.8	1810.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Mar. 25	Mar. 24	M'th ago	Year ago
Spot	115.81	115.06	—	131.93
Fut	114.71	115.15	—	131.54

(Base: September 18 1931=100)

MAIN PRICE CHANGES

	Mar. 26 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1250/410	+20	$1180/410
Copper			
Cash Grade A	£944	+17.5	£982.5
3 mths	£905.25	+6.5	£930.5
Gold Troy oz	$411.75	—2	$404.5
Lead Cash	£309	—1	£292.5
3 mths	£301.75		£292.5
Nickel			
Free Mkt	160/185c		175/195c
Palladium oz	$126.25	—1.5	$118.75
Platinum oz	$559.00	—8.75	$532.75
Quicksilver†	$205/215		$178/185
Silver troy oz	363.90p	—2.75	356.70p
3 mths	372.80p	—2.95	365.30p
Tin			
free Mkt	£4520/250	—5	£4570/400
Tungsten	$47.08		$44.51
Wolfram 22.4lb	$47/52		$59/45
Zinc	£451.5	+3	£476.75
3 mths	£452.25	+3.5	£471.75
producers	$770/795		$770/795
OILS			
Coconut (Phil)	$380z		$405
Palm Malayan	$282.5y	—7.5	$310
Seeds			
Copra (Phil)	$250v	+10	$260
Soyabean (U.S.)	$157	+2.5	$157
GRAINS			
Barley Fut. Sept	£99.6	—0.25	£116.15
Maize	£142.50		£143.80
Wheat Fut. July	£122.40	+0.25	£118.45
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1285	—3.5	£1331.5
Coffee Ft. May	£1,278.5	—4	£1559
Cotton A Ind.*	53.95c	—0.05	65.00c
Gas Oil May	$146.25	+0.25	$134.25
Rubber (kilo)	60p	—0.5	68p
Sugar (raw)	$182x	—9.5	$185.5
Wooltops 64s	445p kilo	+3	427p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v April. z March-April. x April-May. y May.

ALUMINIUM

Official closing (am): Cash 850-1 (845-8); three months 798-9 (794-5); settlement 851 (846). Final Kerb Close: 798-9. Turnover: 15,650 tonnes.

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	848-9	+7.5	850/845
3 months	799-800	+5	802/796

COPPER

LEAD

NICKEL

ZINC

GOLD

SILVER

SOYABEAN MEAL

COFFEE

COCOA

POTATOES

SUGAR

MEAT

FREIGHT FUTURES

GRAINS

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
	£ per tonne		£ per tonne	
May	120.10	+0.10	114.05	—0.50
July	122.40	+0.25	—	—
Sep.	100.65	—0.10	99.60	—0.25
Nov.	102.70	—0.15	101.90	—0.25
Jan.	105.25	—0.25	104.10	—0.15
Mar.	107.75	—0.15	106.45	—0.25

LONDON GRAINS—Wheat: US dark northern spring no. 1 15 per cent April/May 96.25, June/July 96.00. US no. 2 soft red winter June 92.00, July 89.00. French 11½-12 per cent March 145.50. English feed fob March 117.00 seller, April 120.50/121.00, April/June 121.00/121.75, May/June 122.00/122.50, Sept 103.00/103.75, Oct/Dec 106.00/106.50 buyer/sellers. Jan/March 110.25, April/June 115.00 buyer. Maize: US no. 3 yellow/French transhipment east coast second-half March 142.50. Barley: English feed fob April 116.00 buyer English/Scottish, 116.00/117.00 buyer/sellers English, Aug 100.00, Sept 102.00 sellers, Oct/Dec 105.00, Jan/March 109.00 buyer.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 113.70, S. West 114.50, N. West 114.30. The UK monetary coefficient for the week begining Monday March 30, will remain unchanged.

Business done—Wheat: May 120.20-9.90, July 122.45-2.15, Sept 100.90-0.60, Nov 103.00-2.65, Jan 105.60-5.15, March 108.00-7.65. Sales: 698 lots of 100 tonnes. Barley: May 114.25, Sept 99.70-9.65, Nov 102.10-1.90, Jan 104.20, March untraded. Sales: 46 lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday's close	+ or —	Business Done
	US $ per tonne		
Apr.	103.50	+2.50	—
May	95.00	+1.75	93.75-91.50
June	96.00	+2.00	—

Turnover: 3 (9) lots of 100 tonnes.

RUBBER

PHYSICALS — The London market opened unchanged, attracted little interest throughout the day and closed quiet and slightly easier, reports Lewis and Peat. Closing prices (buyers): Spot 60.00p (same); May 60.75p (same); June 60.25p (same). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 228.5 (228.0); SMR 20 193.0 (same).

FUTURES—Index 695, April 695-705, April/June 690-705, July/Sept 690-710.

US MARKETS

TRADE and commission house buying in crude oil futures, reflecting brisk buying in the physical market, kept prices steady in the face of profit-taking, reports Drexel Burnham Lambert. Trade selling and long liquidation in gold and silver futures kept both markets under pressure. However, in platinum trade and local buying pared earlier losses on mixed liquidation. Copper futures firmed in early trading but fund-type selling depressed prices before speculative buying lifted the market slightly off the lows in the face of trade selling. Fund and speculative selling in cocoa futures touched off commission house stops as the market fell despite price-fix and scale-down trade buying. Coffee trade quietly lower on mild hedge selling. Scale-up trade selling in cotton futures prevented any major advance. Good commission house buying in orange juice held the market firm.

Despite confirmation that both India and Turkey had bought cargoes, and reports that the Soviet Union would also buy, sugar futures failed to make any headway as fund selling and commission house liquidation set in. The grains were quiet and mainly on the defensive as improved prices of late prompted producer selling. Soyabean meal futures fell as cash prices failed to follow the recent rally, whilst soyabean oil remained steady in advance of the tender by India. The meats featured profit-taking and long-liquidation.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	Prev	High	Low
March	61.30	62.05	—	—
May	60.30	61.00	60.95	60.50
July	59.00	59.50	59.25	59.25
Sept	57.30	57.75	57.95	57.95
March	56.75	57.10	—	—
May	56.75	57.10	—	—
July	56.75	57.10	—	—

COCOA 10 tonnes, $/tonnes

HEATING OIL 42,000 US gallons, cents/US gallons

ORANGE JUICE 15,000 lbs, cents/lb

PLATINUM 50 troy oz, $/troy oz

SILVER 5,000 troy oz, cents/troy oz

SUGAR WORLD "11" 112,000 lbs, cents/lb

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

LIVE HOGS 30,000 lb, cents/lb

MAIZE 5,000 bu min, cents/56-lb bushel

GAS OIL FUTURES

Month	Yestrdy's close	+ or —	Business Done
	US $ per tonne		
Apr.	146.50	—0.50	148.75-45.50
May	146.25	+0.25	147.75-44.50
June	146.25	+0.75	146.50-44.50
July	144.00	—1.50	144.00
Aug.	147.50	—	—

Turnover: 4,463 (3,075) lots of 100 tonnes.

OIL

In thin trade 15-day Brent sold close to $18.50 for April and close to $18 for May while June traded between $17.65 and $17.70. May WTI opened 10c up on Nymex and traded 11c up at 1.30pm EST. There was no direction to the petroleum products market. Prompt gas oil rose on good buying interest, particularly into France. Naphtha prices slipped in thin trade. Gasoline was quiet and stable. Fuel oil rose sharply only to come off by the close—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.90-17.00	+0.025
Brent Blend	18.40-18.50	+0.025
W.T.I. (1pm est)	18.65-18.80*	n/a
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	193-195	—
Gas Oil	147-149	+2
Heavy fuel Oil	98-100	+0.5
Naphtha	170-173	—1.5

* May

Petroleum Argus estimates

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound up on trade figures

STERLING BOUNCED back from early lows after better than expected trade figures. Early trading had seen the pound lose ground as the market reacted to the latest opinion poll which showed an improved performance by the Alliance party.

Traders were also expecting UK trade figures to show a visible trade deficit of up to £1bn but news of a £224m deficit and a current account surplus of £376m were both much better than even the most optimistic forecasts. Consequently sentiment improved and demand for sterling increased as speculators attempted to cover short positions. With exports rising to a record level and demand for Government stock picking up, there were renewed calls for a cut in UK clearing bank base rates.

The pound's exchange rate index had shown a weaker trend to start with as the market became a little nervous ahead of the trade figures. The opening index was 72.0 down from 72.1 and it touched a low of 71.8 just before the figures were announced. During the afternoon it recovered to finish unchaged at 72.1. Against the dollar it finished at $1.6060 from $1.6070 and DM 2.9350, unchanged from Wednesday. Elsewhere it finished at Y239.50 and SFr 2.45, both unchanged from Wednesday and FFr 9.77 compared with FFr 9.7625.

The dollar finished towards the day's lows despite the recent intervention by central banks. Comments by a US official claiming that West Germany and Japan had not kept their side of the bargain were seen as a sign that the authorities were about to let the dollar fall. Many traders had expected the dollar to fall anyway and took these comments as an excuse to unwind dollar positions. The dollar touched a high of DM 1.8340 against the D-mark before coming back to close at DM 1.8275 compared with DM 1.8265 on Wednesday. Against the yen it finished unchanged at Y149.10. Elsewhere it closed at FFr 6.0825 from FFr 6.0750 and SFr 1.5265 compared with SFr 1.5240. On Bank of England figures, the dollar's exhange rate index was unchanged at 102.5.

D-MARK—*Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. February average 1.8234. Exchange rate index 147.0 against 148.4 six months ago.*

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8308 compared with DM 1.8243. There were a number of factors affecting market sentiment and while these were being digested the dollar remained within a very narrow range.

A sharp improvement in West German trade figures to a surplus in February of DM 6.6bn on the current account compared with DM 4.8bn in January and a visible trade surplus of DM 10.4bn compared with DM 7.2bn for the same period, appeared to have little effect while the threat of further central bank intervention was sufficient to stop speculators from pushing the dollar weaker. However dollar sentiment remained bearish.

JAPANESE YEN—*Trading range against the dollar in 1986-87 is 202.70 to February average 153.38. Exchange rate index 214.4 against 217.7 six months ago.*

Contined central bank intervention kept trading fairly subdued. While there was little change in sentiment, speculators were as yet unwilling to take on the central banks without further strong evidence that the US economy may not be showing signs of recovery. The dollar closed at Y149.40 compared with Y149.35 in New York and in Tokyo on Wednesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0101	+1.30	+0.84	±1.5344
Danish Krone	7.85212	7.81776	−0.44	−0.90	±1.6404
German D-Mark	2.05853	2.07721	+0.91	+0.45	±1.0981
French Franc	6.90403	6.91156	+0.11	−0.35	±1.3674
Dutch Guilder	2.31943	2.34487	+1.10	−0.64	±1.5012
Irish Punt	0.768411	0.777887	+1.23	+0.77	±1.6684
Italian Lira	1483.58	1480.64	−0.20	−0.20	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Mar 26	Close	Previous Close
£ Spot	1.6010-1.6020	1.5995-1.6005
1 month	0.48-0.47 pm	0.46-0.45 pm
3 months	1.28-1.25 pm	1.24-1.21 pm
12 months	4.10-4.00 pm	3.95-3.85 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Mar. 26	Previous
8.30 am	72.0	72.4
9.00 am	71.9	72.4
10.00 am	71.9	72.4
11.00 am	71.8	72.4
Noon	72.1	72.3
1.00 pm	72.2	72.3
2.00 pm	72.2	72.2
3.00 pm	72.2	72.1
4.00 pm	72.1	72.1

CURRENCY RATES

Mar. 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.794867	0.706201
U.S. Dollar	5.5	1.27433	1.13416
Canadian $	7.54	*	1.48802
Austrian Sch.	4	16.4006	14.6025
Belgian Franc	8	48.3099	43.0101
Danish Krone	7	8.78205	7.81286
Deutsche Mark	3.0	2.33304	2.07721
Neth. Guilder	4½	2.63404	2.34487
French Franc	9½	7.76609	6.91164
Italian Lira	12	1663.16	1478.83
Japanese Yen	2½	190.385	169.330
Norway Krone	8	8.77631	7.82767
Spanish Peseta	—	164.248	146.363
Swedish Krona	7½	8.13405	7.23990
Swiss Franc	3.5	1.94526	1.73299
Greek Drach.	20½	171.181	152.440
Irish Punt	—	0.874026	0.777139

*C$/SDR rate for Mar. 25; 1.67471

CURRENCY MOVEMENTS

March 26	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.1	−21.6
U.S. Dollar	102.5	−4.8
Canadian Dollar	79.4	−8.9
Austrian Schilling	137.9	+10.3
Belgian Franc	100.2	−4.3
Danish Krone	93.2	+3.7
Deutsche Mark	147.0	+21.6
Swiss Franc	171.8	+21.8
Guilder	134.6	+14.1
French Franc	71.8	−12.6
Lira	48.0	−16.9
Yen	214.4	+59.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Mar. 26	£	$
Argentina	2.4620-2.4735	1.5350-1.5410
Australia	2.3040-2.3070	1.4370-1.4380
Brazil	34.3480-34.5415	21.4140-21.5210
Finland	7.1930-7.2040	4.4830-4.4850
Greece	231.19-216.92	133.32-135.58
Hong Kong	12.4565-12.4675	7.8020-7.8040
Iran	115.70*	72.00*
Korea (Sth)	1351.65-1363.85	844.70-852.50
Kuwait	0.44023-0.44065	0.27405-0.27430
Luxembourg	60.75-60.85	37.80-37.90
Malaysia	4.0235-4.0295	2.5200-2.5220
Mexico	1769.20-1787.95	1103.00-1114.00
N. Zealand	2.8370-2.8445	1.7700-1.7730
Saudi Ar.	6.0150-6.0205	3.7500-3.7510
Singapore	3.4185-3.4235	2.1415-2.1435
S. Af. (Cm)	3.2875-3.3045	2.0505-2.0545
S. Af. (Fn)	4.7195-4.8630	2.9410-3.0305
Taiwan	54.85-55.15	34.30-34.40
U.A.E.	5.8905-5.8960	3.6725-3.6735

*Selling rate.

POUND SPOT—FORWARD AGAINST THE POUND

Mar. 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5960-1.6075	1.6055-1.6065	0.48-0.45 c pm	3.47	1.29-1.24 pm	3.15
Canada	2.0974-2.1066	2.0985-2.0995	0.57-0.47 c pm	2.97	1.50-1.36 pm	2.72
Nethlands	3.30¾-3.32	3.31-3.32	1⅛-1¼ c pm	4.52	3⅝-3¼ pm	4.22
Belgium	60.56-60.91	60.75-60.85	17-11 c pm	2.76	43-33 pm	2.50
Denmark	11.00¼-11.07½	11.04-11.05	Par-⅛ ore dis	−0.07	⅛-⅜ dis	−0.09
Ireland	1.0950-1.1050	1.0980-1.0990	0.27-0.41 p dis	−3.71	0.80-1.15 dis	−3.55
W Germany	2.92½-2.94	2.93-2.94	1½-1¼ pf pm	6.13	4¼-4 pm	5.62
Portugal	224.93-226.93	225.98-226.93	56-143 c dis	−5.27	248-367 dis	−5.43
Spain	205.92-207.13	206.56-207.01	98-130 c dis	−6.62	260-317 dis	−5.58
Italy	2084¼-2097¼	2092-2093	1 pm-1 lire dis	—	2pm-2 lire dis	−0.50
Norway	11.00¾-11.06¼	11.04½-11.05½	¼-½ore dis	−4.41	1¼-1½dis	−0.50
France	9.73¼-9.78¼	9.76½-9.77½	1⅞-1⅛c pm	2.00	4¼-3⅞ pm	1.56
Sweden	10.19¾-10.25¼	10.23¾-10.24¾	Par-¼ore dis	−0.15	¼-⅜ dis	−0.12
Japan	238½-240	239-240	1¼-1⅛ y pm	5.95	3½-3¼ pm	5.53
Austria	20.56-20.67	20.64-20.67	10⅞-9⅞ gro pm	5.66	27¼-24⅞ pm	5.05
Switzerland	2.43¾-2.45½	2.44½-2.45½	1⅜-1¼ c pm	6.12	3⅝-3½ pm	5.71

Belgian rate is for convertible francs. Financial franc 61.05-61.15. Six-month forward dollar 2.40-2.33 c pm 12-month 4.27-4.12 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Mar. 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5960-1.6075	1.6055-1.6065	0.48-0.45c pm	3.47	1.29-1.24pm	3.15
Ireland†	1.4528-1.4620	1.4595-1.4605	0.96-0.88c pm	7.58	2.52-2.32 pm	6.64
Canada	1.3070-1.3134	1.3080-1.3090	0.04-0.07c dis	−0.50	0.12-0.17 dis	−0.44
Netherlands	2.0610-2.0700	2.0635-2.0645	0.20-0.17c pm	1.07	0.56-0.51pm	1.04
Belgium	37.80-37.97	37.80-37.90	1-4c dis	−0.79	4-9 dis	−0.73
Denmark	6.87½-6.90¼	6.87½-6.88	1.65-2.35ore dis	3.48	5.90-6.60 dis	−3.63
W. Germany	1.8250-1.8340	1.8270-1.8280	0.42-0.39pf pm	2.66	1.17-1.12 pm	2.50
Portugal	140¼-141½	140¾-141¼	80-130c dis	−8.93	270-340 dis	−8.64
Spain	128.60-129.13	128.75-128.85	115-125c dis	−11.17	280-300 dis	−9.00
Italy	1301-1303½	1302¾-1303¾	3¾-4¼lire dis	−3.68	9½-11 dis	−3.14
Norway	6.87¼-6.89¼	6.87¾-6.88¼	4.20-4.70ore dis	−7.76	13.80-14.30dis	−8.16
France	6.07½-6.10	6.08-6.08½	0.70-0.85c dis	−1.53	2.35-2.65 dis	−1.64
Sweden	6.36¾-6.39	6.37¼-6.37¾	2.60-2.90ore dis	−5.17	6.95-7.35dis	−4.48
Japan	148.80-149.70	149.05-149.15	0.31-0.28y pm	2.37	0.91-0.86 pm	2.37
Austria	12.85½-12.88	12.85½-12.86	2.50-2.00gro pm	2.10	6.50-5.50 pm	1.86
Switzerland	1.5230-1.5300	1.5260-1.5270	0.33-0.28 pm	2.40	1.00-0.95 pm	2.55

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.00-38.10.

EURO-CURRENCY INTEREST RATES

Mar. 26	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10-10⅛	10-10⅛	9⅞-10	9⅝-9¾	9⅝-9¾	9⅜-9½
U.S. Dollar	6⅛-6⅜	5⅞-6⅛	6⅜-6½	6⅜-6½	6⅜-6½	6⅜-6⅝
Can. Dollar	6⅝-6⅞	6⅝-6⅞	6⅝-6⅞	6⅝-6⅞	6⅝-6⅞	6⅞-7
D. Guilder	5⅜-5⅞	5⅜-5⅞	5⅜-5⅞	5⅜-5⅞	5⅜-5⅞	5⅜-5⅞
Sw. Franc	⅛-⅜	1½-1⅞	4⅛-4⅜	3⅞-3⅞	3⅞-3⅞	3⅞-3⅞
Deutschmark	3⅞-3⅞	3⅞-3⅞	3⅞-3⅞	3⅞-3⅞	3⅞-4	4⅛-4⅜
Fr. Franc	7⅞-7⅞	7⅞-7⅞	7⅞-8	7⅞-8⅛	7⅞-8⅛	8⅛-8⅜
Italian Lire	8-10	9⅞-10⅛	9⅞-10½	9⅞-9⅞	9½-9⅞	10-10⅛
B. Fr. (Fin.)	7-7⅛	7⅛-7½	7⅛-7½	7⅛-7½	7⅛-7½	7⅛-7½
B. Fr. (Con.)	6⅞-7⅛	7-7½	7-7½	7-7½	7-7½	7-7½
Yen	4⅛-4⅜	5⅛-5⅜	4⅜-4⅜	4⅛-4⅜	4-4⅛	4-4⅛
D. Krone	9⅞-10⅛	9⅞-10⅛	10⅛-10⅞	10-10⅞	10-10⅞	10-10½
Asian $ (Sing.)	2⅛-3	N/A	3⅛-3⅜	3⅛-3⅜	3⅛-3½	3⅛-3⅞

Long-term Eurodollars: Two years 6¾-7 per cent; three years 7-7¼ per cent; four years 7¼-7½ per cent; five years 7½-7¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar. 26	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.606	2.935	239.5	9.770	2.450	3.315	2093.	2.099	60.80
$	0.623	1.	1.828	149.1	6.083	1.526	2.064	1303.	1.307	37.86
DM	0.341	0.547	1.	81.60	3.329	0.835	1.129	712.9	0.715	20.72
YEN	4.175	6.706	12.25	1000.	40.79	10.23	13.84	8737.	8.764	253.9
F Fr.	1.024	1.644	3.004	245.1	10	2.508	3.393	2142.	2.148	62.23
S Fr.	0.408	0.656	1.198	97.76	3.988	1.	1.353	854.1	0.857	24.82
H Fl.	0.302	0.484	0.885	72.25	2.947	0.739	1.	631.2	0.633	18.34
Lira	0.478	0.768	1.403	114.5	4.669	1.171	1.584	1000.	1.003	29.06
C $	0.476	0.765	1.398	114.1	4.655	1.167	1.579	996.9	1.	28.97
B Fr.	1.645	2.641	4.827	393.9	16.07	4.030	5.452	3442.	3.452	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Record volume

VOLUME WAS at record levels on the London International Financial Futures Exchange yesterday. Dealers described trading as choppy and nervous, reacting to any indication about the government's popularity at a time of speculation on the timing of the next UK general election.

Long term gilt futures were particularly active, at a record 54,380 contracts, compared with the previous 48,287 on March 18. Total trading in futures and options on Liffe was a record 82,000, against 78,027 on March 18.

Flushed with success at forecasting the Marplan poll in the Today newspaper, the market also began to believe rumours that the survey in today's Daily Telegraph would be good for the Alliance, but unsetling for financial markets hoping for an overall Tory majority in the next parliament.

Dealers appeared to get wind of the Marplan poll on Wednesday afternoon, and regarded the threat of a hung parliament as worrying to a technically overbought market. The published result of the survey provided no reassurance, and left the market nervous that today's poll in the Telegraph would undermine recent confidence about another period of Conservative government.

June long term gilts weaker at 124-16, and continued to lose ground as sterling declined, before publication of the February UK trade figures. The trade balance was much better than expected. A visible trade deficit of up to £1bn had been forecast, and dealers were surprised at the shortfall of only £224m, and the current account surplus of £376m.

Long gilt futures rose to a peak of 125-12 on the trade news, but then fell back to close at 124-20 for June delivery, compared with 125-15 on Wednesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	12.41	12.49	0.01	0.17
114	10.43	10.61	0.03	0.29
116	8.49	9.15	0.09	0.47
118	6.60	7.41	0.20	1.09
120	5.10	6.13	0.34	1.45
122	3.47	4.99	1.07	2.27
124	2.33	3.52	1.57	3.20
126	1.38	2.56	2.62	4.24

Estimated volume total, Calls 4,106 Puts 2,064
Previous day's open int: Calls 20,252 Puts 12,552

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	8.22	7.35	0.00	0.17
94	6.22	5.54	0.00	0.36
96	4.25	4.21	0.03	1.03
98	2.40	3.03	0.18	1.49
100	1.16	2.02	0.58	2.48
102	0.29	1.18	2.07	4.00
104	0.07	0.48	3.49	5.30
106	0.01	0.27	5.43	7.09

Estimated volume total, Calls 10 Puts 5 Previous day's open int: Calls 225 Puts 239

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Apr	Calls—Last May	Puts—Last Apr	Puts—Last May
19000	20.40	—	0.05	—
19250	17.96	18.40	0.11	0.55
19500	15.57	16.18	0.22	0.83
19750	13.26	14.06	0.41	1.21
20000	1[illegible]	12.07	0.71	1.72
20250	9.02	10.23	1.17	2.38
20500	7.17	8.54	1.82	3.19
20750	5.54	7.03	2.69	4.18

Estimated volume total, Calls 2 Puts 0
Previous day's open int: Calls 190 Puts 188

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Apr.	May	June	Sept.	Puts—Last Apr.	May	June	Sept.
1.30	—	—	30.42	30.42	—	—	0.00	0.02
1.35	—	—	25.42	25.42	—	—	0.00	0.08
1.40	20.42	20.42	20.42	20.42	0.00	0.00	0.02	0.28
1.45	15.42	15.42	15.42	15.42	0.00	0.02	0.12	0.76
1.50	10.42	10.42	10.42	10.42	0.00	0.20	0.52	1.73
1.55	5.42	5.64	5.90	6.64	0.06	0.93	1.60	3.39
1.60	1.36	2.54	3.03	4.09	1.18	2.83	3.73	5.84

Estimated volume total, Calls 0 Puts 0
Previous day's open int, Calls 1,320, Puts 1,253

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last April	May	June	Sept.	Puts—Last April	May	June	Sept.
1.35	—	—	13.90	13.90	—	—	0.80	1.60
1.40	17.90	17.90	17.80	17.70	0.25	0.30	0.45	1.05
1.45	12.90	12.90	12.90	12.70	0.30	0.60	0.80	1.50
1.50	10.00	10.00	10.00	10.10	0.30	0.40	0.65	1.70
1.55	5.00	5.10	5.45	6.30	0.40	0.75	1.55	3.30
1.60	1.30	2.00	2.50	3.60	1.60	2.80	3.70	5.70
1.65	0.35	0.70	1.10	2.05	5.65	6.45	7.25	9.00

Previous day's open int: Calls 636 Puts 1191
Volume: 66

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Apr.	May	June	Sept.	Puts—Last Apr.	May	June	Sept.
1.400	19.35	—	19.80	19.80	—	—	0.05	0.10
1.450	14.40	14.80	14.80	24.80	—	0.05	0.05	0.45
1.475	12.30	12.30	12.30	22.30	—	0.05	0.05	0.80
1.500	9.40	9.80	9.80	9.80	—	0.10	0.30	1.20
1.525	7.30	7.30	7.30	7.40	—	0.10	0.60	1.90
1.550	4.55	4.90	5.10	5.80	—	0.50	1.05	2.60
1.575	2.50	—	3.40	4.50	0.20	1.10	1.90	3.60

Previous day's open int: Calls 0 Puts 0
Previous day's volume, Calls 0 Puts 0

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last June	Sept.	Dec.	Mar.	Puts—Last June	Sept.	Dec.	Mar.
93.00	0.50	0.58	0.62	—	0.02	0.07	0.14	—
93.25	0.29	0.39	0.44	—	0.06	0.13	0.21	—
93.50	0.14	0.24	0.30	—	0.16	0.23	0.32	—
93.75	0.05	0.13	0.19	—	0.32	0.37	0.46	—
94.00	0.01	0.06	0.11	—	0.53	0.55	0.63	—
94.25	0.00	0.02	—	—	0.77	0.76	—	—
94.50	0.00	0.01	—	—	1.02	1.00	—	—

Previous day's open int: Calls 295, Puts 553
Estimated volume, Calls 0, Puts 50

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
March	124-14	125-00	124-16	125-10
June	124-20	125-12	123-27	125-15
Sept.	124-16	—	—	125-11
Dec.	124 20	—	—	125-15

Estimated volume 54,343 (32,208)
Previous day's open int. 24,133 (24,449)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
March	102-30	102-30	102-27	103-07

Estimated Volume 27 (0)
Previous day's open int. 64 (64)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
June	90.83	90.96	90.73	90.92
Sept.	91.09	91.20	90.98	91.17
Dec.	91.10	91.22	91.00	91.19
Mar.	90.98	91.04	90.88	91.07
June	90.79	90.85	90.82	90.88

Estimated Volume 14,124 (8,068)
Previous day's open int. 24,656 (24,080)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
March	204.80	205.20	203.20	205.20
June	210.35	211.20	208.80	210.50
Sept.	214.85	—	—	215.10

Estimated volume 1,301(1,033)
Previous day's open int. 5,825 (5,819)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
June	93.48	93.50	93.47	93.48
Sept.	93.51	93.53	93.51	93.49
Dec.	93.48	93.51	93.49	93.46
March	93.38	93.43	93.38	93.38
June	93.25	93.30	93.29	93.25
Sept.	93.08	93.11	93.11	93.08
Dec.	92.89	92.90	92.90	92.89

Estimated volume 3,266 (3,697)
Previous day's open int. 22,818 (22,505)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
June	100-11	100-12	100-05	100-07
Sept.	99-09	—	—	99-05

Estimated Volume 1,765 (2,176)
Previous day's open int. 3,100 (3,077)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
June	100-23	100-25	100-13	100-09
Sept.	99-24	99-26	99-13	99-09
Dec.	98-24	98-26	98-15	98-11
Mar.	97-27	97-28	97-23	97-14
June	97.00	97.00	96.22	96-18
Sept.	96-04	96.05	95.29	95-23
Dec.	95-11	—	—	94-29
Mar.	94-19	—	—	94-05
June	—	—	—	—
Sept.	93-09	—	—	92-27
Dec.	92-23	—	—	92-09

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
June	94.43	94.45	94.39	94.41
Sept.	94.49	94.50	94.47	94.47
Dec.	94.49	94.53	94.46	94.48
Mar.	94.45	94.46	94.40	94.44
Jun.	—	—	—	—
Sep.	—	—	—	—
Dec.	—	—	—	—
Mar.	—	—	—	—

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Jun.	0.6578	0.6597	0.6566	0.6590
Sep.	0.6618	0.6637	0.6606	0.6632
Dec.	0.6660	—	0.6660	0.6675
Mar.	0.6705	—	—	0.6715

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
June	0.6729	0.6750	0.6713	0.6743
Sept.	0.6769	0.6785	0.6757	0.6784
Dec.	0.6813	0.6820	0.6800	0.6826
Mar.	0.6850	0.6850	0.6850	0.6865

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
June	0.5499	0.5508	0.5481	0.5505
Sept.	0.5531	0.5537	0.5515	0.5537
Dec.	0.5563	—	—	0.5569
Mar.	0.5595	—	—	0.5601

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
June	93.48	93.50	93.46	93.44
Sept.	93.52	93.53	93.50	93.47
Dec.	93.49	93.51	93.47	93.45
Mar.	93.40	93.41	93.37	93.37
June	93.26	93.28	93.23	93.24
Sept.	93.06	93.10	93.03	93.06
Dec.	92.85	92.90	92.83	92.87
Mar.	92.65	92.70	92.63	92.68

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
June	303.40	305.70	302.65	303.60
Sept.	305.40	307.50	304.70	305.45
Dec.	307.30	309.20	306.80	307.35
Mar.	308.50	310.70	310.31	308.55

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6060	1.6013	1.5933	1.5823	1.5634

IMM—STERLING $s per £

	Close	High	Low	Prev
June	1.5895	1.5960	1.5870	1.5905
Sept.	1.5790	1.5860	1.5780	1.5810
Dec.	1.5710	1.5780	1.5700	1.5730
Mar.	1.5630	1.5710	1.5670	1.5650

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.5855	1.5856	1.5855	1.5923

Estimated volume 10 (27)
Previous day's open int 257 (257)

MONEY MARKETS

Slightly firmer

INTEREST RATES had a slightly firmer tone on the London money market, in spite of better than expected February UK money supply figures. Three-month interbank rose to 9¾-9⅝ per cent from 9 11/16-9 9/16 per cent.

Sterling recovered on the trade news, from its early morning weakness, but dealers remained cautious about the timing of any cut in UK bank base rates.

The Bank of England initially forecast a flat money market position, but revised this to a shortage of around £350m at noon and provided total help on the day of £266m.

UK clearing bank base lending rate 10 per cent since March 18-19

Before lunch the authorities bought £15m bank bills outright in band 2 at 9 11/16 per cent. In the afternoon the Bank of England purchased another £228m bills, by way of £37m Treasury bills in band 1 at 9⅞ per cent; £72m bank bills in band 1 at 9⅞ per cent and £117m bank bills in band 2 at 9 11/16 per cent.

Late assistance of around £25m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £545m, with a rise in the note circulation absorbing £35m. These were roughly balanced by Exchequer transactions adding £490m to liquidity and bank balances above target by £70m.

In Paris the Bank of France left its money market intervention rate at 7¾ per cent when it added liquidity via a tender for first category paper. The intervention rate was last changed on March 10, when it was cut from 8 per cent.

Settlement of the latest monthly Treasury tap stock tender led to a slight shortage of liquidity, but dealers were generally surprised that the central bank felt it necessary to add funds.

Call money rose to 7⅞ per cent from 7¾-7⅞ per cent on Wednesday, as the weakness of the dollar renewed uncertainty about the future stability of the European Monetary System. At times of dollar weakness money tends to be attracted into the D-Mark, putting pressure on other EMS currencies.

Call money continued to rise yesterday morning, opening at 8⅛-8¼ per cent, but falling back to 7¾-7 13/16 per cent.

In Copenhagen the Danish Central Bank cut its overnight money market rate to 10 per cent from 10.5 per cent, because of a continued improvement in foreign currency inflow. The rate was previously cut from 11 per cent on March 17.

In Tokyo the Finance Ministry is expected to cut its base lending rate for government financial institutions to 5.2 per cent from 5.5 per cent from tomorrow, meaning the financial institutions will be unable to make profits on their present borrowing rate of 5.2 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar. 26) 3 months U.S. dollars		6 months U.S. dollars	
bid 6⅜	offer 6½	bid 6⅜	offer 6½

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 p.m.)

Prime rate	7½
Broker loan rate	7¼-7½
Fed. funds	6⅜
Fed funds at intervention	6⅜

Treasury Bills and Bonds

One month	5.34	Three year	6.58
Two month	5.52	Four year	6.74
Three month	5.73	Five year	6.81
Six month	5.83	Seven year	7.04
One year	6.01	10 year	7.23
Two year	6.42	30 year	7.55

Mar. 26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.45-3.55	3.85-3.95	3.85-4.00	3.85-4.00	3.90-4.05	5.0
Paris	7 11/16-7 13/16	7¾-7⅞	7¾-7⅞	7¾-7⅞	7 13/16-7 15/16	7¾
Zurich	¾-1⅛	3⅞-4	—	3 13/16-3 15/16	—	—
Amsterdam	5⅛-5¼	5⅜-5½	—	5⅜-5½	—	—
Tokyo	3.90625	3.96875	—	4.03125	—	—
Milan	10⅞-11⅛	10⅛-10⅜	—	10⅛-10⅜	—	—
Brussels	7.50	7⅛-7¼	—	7⅛-7¼	—	—
Dublin	14⅛-14⅜	14⅛-14⅜	13⅞-14	13⅞-13⅞	12⅞-12⅞	—

LONDON MONEY RATES

Mar. 26	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10½-9½	10⅛-9 11/16	10-9 13/16	9¾-9⅝	9 11/16-9½	9⅜-9¼
Sterling CDs	—	—	9 13/16-9 11/16	9⅝-9½	9½-9⅜	9¼-9⅛
Local Authority Deposits	10-9½	10-9¾	9 13/16	9 11/16-9⅝	9½-9⅜	9⅜-9¼
Local Authority Bonds	—	—	10	9 11/16	9⅝	9⅜
Discount M'ket Deposits	10-9	9¾	9¾	9⅝	—	—
Company Deposits	10-9¾	10⅛	10⅛-9 15/16	9 11/16	9½	9½
Finance House Deposits	—	—	10	9⅝	9⅝	9⅝
Treasury Bills (Buy)	—	—	9⅝	9½	—	—
Bank Bills (Buy)	—	—	9¾	9½	9⅜	—
Fine Trade Bills (Buy)	—	—	10⅛	10⅛	9 11/16	—
Dollar CDs	—	—	6.45-6.40	6.40-6.35	6.40-6.35	6.45-6.40
SDR Linked Deposits	—	—	6⅛-5 15/16	6⅛-5⅞	6⅛-5 15/16	6⅛-5⅞
ECU Linked Deposits	—	—	7-6⅞	7-6⅞	7-6⅞	7⅛-7

Treasury Bills (sell); one-month 9⅝ per cent; three-months 9⅜ per cent; Bank Bills (sell): one-month 9 11/16 per cent; three months 9⅜ per cent; Treasury Bills; Average tender rate of discount 9.1104 p.c. ECGD Fixed Finance Scheme IV reference date January 31 to February 27 (inclusive): 10.096 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from March 1, 1987: Bank Deposit Rates for sums at seven days' notice 5 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 8 per cent; one-three months 8 per cent; three-six months 8½ per cent; six-nine months 8½ per cent; nine-12 months 8½ per cent; Under £100,000 8 per cent from March 18. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5 per cent.

$ WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, March 25, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

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ECU=$US1.13805 SDR1=$US1.27671
As of March 25, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	6½	6½
Sibor:	6½	6⅝

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

General Appointments

FINANCIAL CONSULTANT

The London Fixed Income Unit of a major international investment group requires an experienced Financial Consultant NYSE registered, aged 30-35 and educated to MBA standard, able to act as adviser to major accounts in the Middle East, represent the Firm's financial products and develop new business. Minimum five years business experience gained in U.S./Middle East financial environment with expertise in multi-currency fixed income/sales marketing, risk arbitrage, interest rate swaps and financial analysis. Fluent Arabic essential. Salary commensurate with experience.

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Company Notices

SOCIETE GENERALE
$US 300.000.000
FLOATING RATE NOTES DUE 1996

For the six months, March 16, 1987 to September 15, 1987, the rate of interest has been fixed at 6 13/32% P.A.

The interest due on September 16, 1987 against coupon nr 2 will be, for the denominations of $US 10.000, $US 327,43 and, for the denominations of $US 100.000, $US 3.274,31 and has been computed on the actual number of days elapsed (184) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

NOTICE OF PREPAYMENT
PROVINCE OF QUEBEC
9¾% 1979/1994 UA 40,000,000

Pursuant to paragraph "Prepayment" of the terms and Conditions of the Bonds, notice is hereby given that the Province will prepay, on May 6, 1987, the total amount remaining outstanding of the above-mentioned Bonds at 102% of their principal amount, together with accrued interest (i.e. UA 35.72 per denomination of UA 1,000) from December 17, 1986 to the date of redemption.

Bonds must have coupon due on December 17, 1987 and following attached.

Interest will cease to accrue on Bonds as from May 6, 1987.

Luxembourg, March 27, 1987.

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

CREDIT FONCIER DE FRANCE
US$350,000,000
FLOATING RATE NOTES DUE 1997

In accordance with the provisions of the Notes, notice is hereby given that for the six month period from October 20th, 1986 to April 23rd 1987, the interest amount per US$10,000 to be paid on April 23rd, 1987 is US$327.43 (Interest on the notes is subject to a minimum interest rate of 5 per cent per annum).

BANQUE NATIONALE DE PARIS plc
Reference Agent

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians glamourous hostesses, exciting floorshows 189, Regent St., W1. 01-734 0557

Obituaries

HAROLD.—On March 24, in his 47th year, after a determined fight, Peter Neil, peacefully relinquished the the match, dearly loved and loving husband of Jenny and devoted father of Sarah, Kate and Claire. He will be sorely missed by his many friends and colleagues in The City and tennis world. A super person and true friend. Cremation at Enfield on Monday, March 30, at 3.30 p.m. Flowers to Seaward & Sons, Palmers Green, N.13, or donations if preferred to Imperial Cancer Research Fund, Lincoln's Inn Fields.

WORLD MARKETS

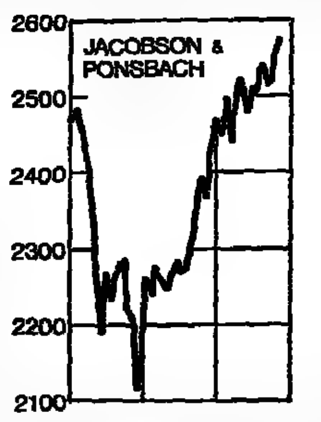
FT-ACTUARIES WORLD INDICES

Jointly compiled by the *Financial Times*, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., *in conjunction* with the Institute of Actuaries and the Faculty of Actuaries

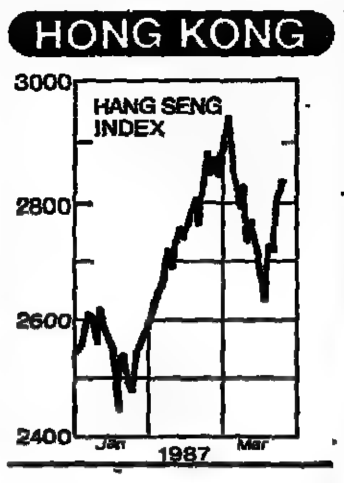
NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	WEDNESDAY MARCH 25 1987					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	1986/87 High	1986/87 Low	Year ago
Australia (94)	120.14	+0.8	110.85	115.07	3.00	120.14	70.18	89.30
Austria (16)	93.64	−0.6	86.40	88.80	1.75	101.62	70.60	76.72
Belgium (47)	118.13	−0.7	108.99	110.70	4.16	118.92	53.75	71.81
Canada (132)	133.77	−0.4	123.41	126.99	2.20	134.35	86.58	96.31
Denmark (39)	113.09	−0.7	104.34	105.63	2.37	124.10	87.87	99.53
France (121)	120.42	+0.3	111.10	114.76	2.26	120.42	57.72	80.92
West Germany (99)	87.58	+0.4	80.80	83.16	2.18	100.33	74.48	81.58
Hong Kong (45)	112.08	+0.3	103.40	112.21	2.82	114.71	62.87	65.90
Ireland (14)	130.51	+0.3	120.41	125.61	3.39	130.51	62.33	83.36
Italy (76)	103.09	+0.6	95.12	100.01	1.51	108.30	46.07	72.21
Japan (458)	127.19	+0.1	117.35	119.88	0.54	127.19	49.46	64.86
Malaysia (35)	133.64	+1.5	123.30	129.68	2.94	135.38	66.67	75.27
Mexico (14)	146.47	+1.0	135.13	177.19	1.14	146.47	43.00	56.65
Netherland (38)	112.02	−1.3	103.36	105.45	4.21	113.51	74.14	80.71
New Zealand (27)	97.00	+0.1	89.49	90.83	2.95	100.59	47.37	60.42
Norway (25)	127.09	+0.0	117.25	118.64	1.94	127.09	90.02	100.88
Singapore (27)	122.28	+2.0	112.82	120.48	3.11	122.28	55.94	58.25
South Africa (61)	162.56	+7.2	149.98	108.52	3.49	162.56	69.06	104.00
Spain (43)	110.16	−0.9	101.63	107.28	3.70	121.31	45.00	72.59
Sweden (33)	114.58	+1.4	105.71	108.05	2.22	114.58	63.35	82.77
Switzerland (52)	96.93	+1.4	89.43	91.58	1.85	104.06	69.01	76.33
United Kingdom (342)	132.76	−0.8	122.49	122.49	3.47	133.88	75.39	95.38
USA (580)	123.57	−0.4	114.01	123.57	2.94	124.06	85.46	98.54
Europe (945)	114.25	−0.3	105.41	107.21	2.91	114.57	69.36	85.12
Pacific Basin (686)	126.30	+0.1	116.53	119.32	0.70	126.30	51.10	65.72
Euro—Pacific (1631)	121.50	+0.0	112.10	114.47	1.53	121.53	58.45	73.36
North America (712)	124.11	−0.4	114.51	123.77	2.89	124.60	85.61	98.43
World Ex. US (1838)	122.40	+0.1	112.93	114.93	1.59	122.40	60.02	74.50
World Ex. UK (2076)	121.91	+0.0	112.47	117.91	1.97	121.96	69.65	82.88
World Ex. So. Af. (2357)	122.61	−0.2	113.12	118.37	2.10	122.83	69.95	83.82
World Ex. Japan (1960)	120.81	−0.2	111.46	117.52	2.91	121.08	79.87	93.07
The World Index (2418)	122.87	−0.1	113.36	118.31	2.12	123.02	70.14	83.94

Base values: Dec 31, 1986 = 100
Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd. 1987
Latest indices not available for this edition

SWEDEN



HONG KONG



EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Stock
GOLD C	$400	65	19	2	30	—	—	$411.90
GOLD C	$420	63	7.50	6	19	—	—	"
GOLD C	$440	30	3.50	104	11.50	20	18	"
GOLD C	$460	—	—	110	6	—	—	"
GOLD P	$380	35	1.30	—	—	—	—	"
GOLD P	$390	24	2.80	—	—	—	—	"
GOLD P	$400	74	4.80	4	8.50	—	—	"
GOLD P	$420	13	13.50	—	—	—	—	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$600	22	25	5	25	—	—	$590
£/Fl C	Fl.325	—	—	2	9	—	—	Fl.331.54
£/Fl C	Fl.330	3	5.50	—	—	—	—	"
£/Fl C	Fl.335	2	3.50B	—	—	—	—	"
£/Fl C	Fl.345	10	1	—	—	—	—	"
£/Fl P	Fl.310	2	1.30	—	—	—	—	"
£/Fl P	Fl.325	3	5	—	—	—	—	"
£/Fl P	Fl.330	20	6.40	—	—	—	—	"
		Apr 87		May 87		Jun 87		
$/Fl C	Fl.205	47	3.40	7	4	60	4.70B	Fl.206.53
$/Fl C	Fl.210	696	1.20	—	—	1	2.70	"
$/Fl C	Fl.215	—	—	—	—	12	1.30A	"
$/Fl P	Fl.200	16	0.50	30	1	3	1.80	"
$/Fl P	Fl.205	29	1.50	26	2.30	15	3.50	"
$/Fl P	Fl.210	2	3.70	2	5.20A	—	—	"
		Sep 87		Dec 87		Mar 88		
$/Fl C	Fl.200	90	9	—	—	—	—	Fl.206.53
$/Fl C	Fl.210	—	—	10	5.50	—	—	"
$/Fl C	Fl.215	26	2.80	—	—	—	—	"
$/Fl P	Fl.200	5	3.60A	2	5.20A	—	—	"
$/Fl P	Fl.205	10	5.70A	2	7.80A	—	—	"
$/Fl P	Fl.210	10	8.60A	—	—	—	—	"
$/Fl P	Fl.215	90	12	—	—	—	—	"
		Apr 87		Jul 87		Oct 87		
ABN C	Fl.520	214	7.50	61	17.90	157	23	Fl.514.50
ABN P	Fl.520	84	10	—	—	—	—	"
AEGON C	Fl.85	63	4.20	8	6.10	—	—	Fl.87.50
AEGON P	Fl.80	53	0.30	—	—	2	3	"
AHOLD C	Fl.110	220	2.20	20	5.50A	—	—	Fl.108.20
AHOLD P	Fl.115	63	7.80	15	10	—	—	"
AKZO C	Fl.140	390	5.20	233	7	26	10.80	Fl.142.20
AKZO P	Fl.140	185	2	64	6.60	25	8.50	"
AMEV C	Fl.60	31	3.50	7	4.80	74	6	Fl.62.70
AMEV P	Fl.65	52	3	22	5	17	6.20	"
AMRO C	Fl.85	38	0.50	174	2.60	13	4	Fl.80
AMRO P	Fl.80	337	3.40	56	4.50	2	6	"
ELSEVIER C	Fl.250	25	5.30	40	13.50	—	—	Fl.250
ELSEVIER P	Fl.250	7	7	38	12.50	—	—	"
GIST-BROC. C	Fl.45	816	0.80	481	2	12	3.40	Fl.42.80
GIST-BROC. P	Fl.35	—	—	20	1	30	1.30B	"
HEINEKEN C	Fl.160	177	13.50	23	15	—	—	Fl.172.50
HEINEKEN P	Fl.170	52	3.60	15	7	3	9	"
HOOGOVENS C	Fl.45	—	—	217	0.80A	—	—	Fl.34
HOOGOVENS P	Fl.30	650	1.40	399	2.30	112	2.80	"
KLM C	Fl.45	22	0.20	342	1.20	83	1.80	Fl.39.60
KLM P	Fl.45	75	6	42	6	268	7	"
NED. LLYOD C	Fl.160	185	14.50	—	—	—	—	Fl.174
NED. LLYOD P	Fl.160	39	2	20	5.50	—	—	"
NAT. NED C	Fl.75	52	1	39	2.90A	25	4	Fl.72
NAT. NED. P	Fl.70	15	0.90	31	2.50	5	3.50	"
PHILIPS C	Fl.50	463	1.10	136	2.70	104	4.20	Fl.49.90
PHILIPS P	Fl.50	40	2.20	139	3.10	19	3.60	"
ROYAL DUTCH C	Fl.250	933	4.20	806	6	352	8.10	Fl.248
ROYAL DUTCH P	Fl.240	990	2.60	313	9	70	13.50	"
ROBECO C	Fl.100	35	2.10B	—	—	—	—	Fl.102.50
ROBECO P	Fl.100	—	—	10	2.10	—	—	"
UNILEVER C	Fl.580	252	6.30	186	12.60	26	19	Fl.571.90
UNILEVER P	Fl.560	140	5.10	42	16.50A	1	22A	"

TOTAL VOLUME IN CONTRACTS: 34,616

A=Ask B=Bid C=Call P=Put

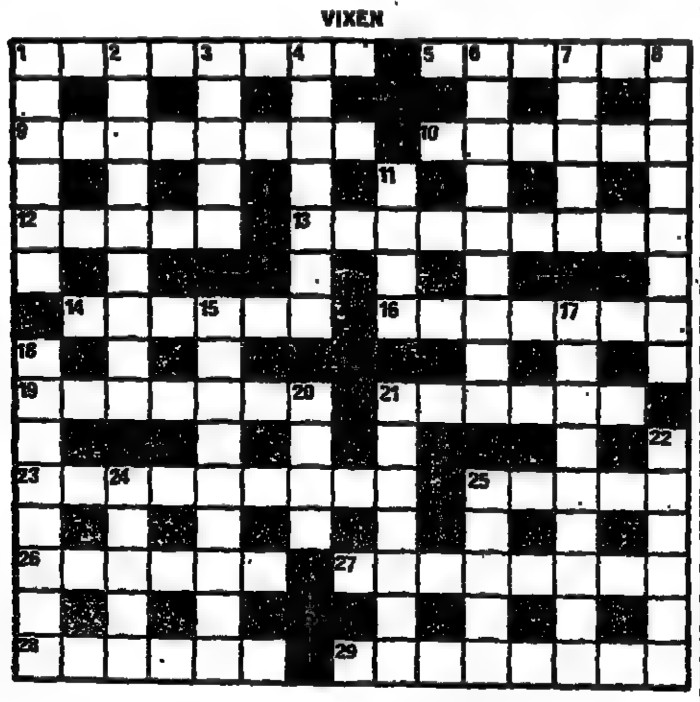
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	● Morgan Grenfell	10
Adam & Company	10	Citibank NA	10	Mat Credit Corp. Ltd.	10½
Allied Arab Bk Ltd.	10	Citibank Savings	¶12.45	Nat. Bk. of Kuwait	10
Allied Dunbar & Co	10	City Merchants Bank	10	National Girobank	10
Allied Irish Bank	10	Clydesdale Bank	10	Nat Westminster	10
American Exp. Bk.	10	Comm. Bk. N. East	10	Northern Bank Ltd.	10
Amro Bank	10	Consolidated Cred.	10	† Norwich Gen. Trust	10
Henry Ansbacher	10	Co-operative Bank	*10	PK Finans. Intl (UK)	10½
ANZ Banking Group	10	Cyprus Popular Bk	10	Provincial Trust Ltd.	12
Associates Cap Corp.	11	Duncan Lawrie	10	R. Raphael & Sons	10
Authority & Co Ltd.	10½	E. T. Trust	12	Roxburghe G'rantee	10½
Banco de Bilbao	10	Equator'l Tst C'p plc	10	Royal Bk of Scotland	10
Bank Hapoalim	10	Exeter Trust Ltd.	10½	Royal Trust Bank	10
Bank Leumi (UK)	10	Financial & Gen. Sec.	10	Standard Chartered	10
Bank Credit & Comm.	10	First Nat. Fin. Corp.	11½	Trustee Savings Bank	10
Bank of Cyprus	10	First Nat. Sec. Ltd.	11½	UDT Mortgage Exp.	¶12.25
Bank of Ireland	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of India	10	Robert Fraser & Ptrs	11½	United Mizrahi Bank	10
Bank of Scotland	10	Grindlays Bank	‡10	Unity Trust PLC	9½
Banque Belge Ltd.	10	● Guinness Mahon	10	Westpac Banking Corp	10
Barclays Bank	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Benchmark Tst Ltd.	10	● Hambro Bank	10	Yorkshire Bank	10
Beneficial Trust Ltd.	11½	Heritable & Gen. Tst.	10		
Berliner Bank AG	10	● Hill Samuel	§10		
Brit. Bk. of Mid. East	10	C. Hoare & Co	10		
Brown Shipley	10	Hongkong & Shangh'	10		
Business Mortgage Tst.	10	Lloyds Bank	10		
CL Bank Nederland	10	Mase Westpac Ltd.	10		
Canada Permanent	10	Meghraj & Sons Ltd.	10		
Cayzer Ltd	10	Midland Bank	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.35%. Savewise 8.03%. Top Tier—£2,500+ at 3 months' notice 9.38%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 5¾% gross. ¶ Mortgage base rate. § Demand deposit 5.35%. Mortgage 12¼%.

FT CROSSWORD PUZZLE No. 6,288

VIXEN



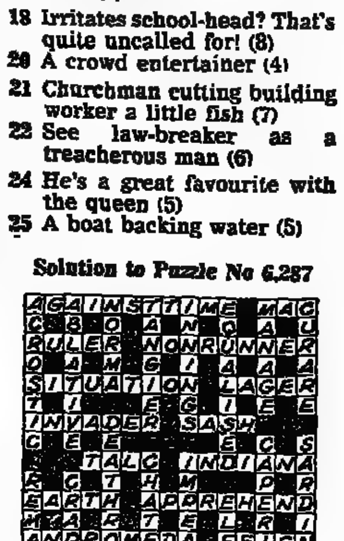
ACROSS

1 Space—it's fantastic, really fantastic (8)
5 Acquiesce when told to go (6)
9 Realise one's about to enter port (8)
10 Having lost the right foothold, get agitated (4, 2)
12 Coppers being in a certain location can cause ill-feeling (5)
13 A fellow put off with little hesitation in town (9)
14 An old Roman taking care as ordered (6)
16 The boy admitting a leaning for cheese (7)
19 Note two kinds of tree produce this anti-irritant (3-4)
21 Sympathetic nurse (6)
23 Blue journals indeed! (9)
25 Measure a small plate (5)
26 Perfect country environment for conservationists (6)
27 Flora's underwear (8)
28 Artful little beast with a following of hundreds (6)
29 Offer pals poor exchange (8)

DOWN

1 "Sable-vested Night, — of things." Milton (Paradise Lost) (6)
2 Found one entry to criticise (9)
3 Quietly dress and make a search (5)
4 The poet is no miser! (7)
6 Could be put into a suit case (9)
7 Some regrettably flighty creature (5)
8 Record, round or pointed (8)
11 Tips—but objects (4)
15 The shabby guy bearing with tribulation and triumph (9)
17 Green seat made by youngsters (9)
18 Irritates school-head? That's quite uncalled for! (8)
20 A crowd entertainer (4)
21 Churchman cutting building worker a little fish (7)
22 See law-breaker as a treacherous man (6)
24 He's a great favourite with the queen (5)
25 A boat backing water (5)

Solution to Puzzle No 6,287



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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هكزامن الأجمل

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

MLA Unit Trust Management

Perpetual Unit Trust Mngmt. (a)

Scottish Widows' Fund Management

Waverley Asset Management Ltd (a) (c) (g)

British National Life Assurance Co Ltd

Continental Life Insurance PLC

GT Management Ltd

Hill Samuel Life Assur.—Contd.

Wellington Fund Mngrs Ltd

Prolific Unit Trust Managers Limited.

Sentinel Funds Mngmnt Ltd

WestAvon Unit Trust Managers Ltd(a)(c)

Cornhill Insurance PLC

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

M & G Group
Three Quays, Tower Hill, EC3R 6BQ — 01-626 4588

Amer Bond (Acc)	217.0	228.0	-0.3	—
Amer Rec Bond (Acc)	274.9	288.8	+0.3	—
Amer Smlr Co Bd (Acc)	118.1	124.1	-0.1	—
Australasian Bd (Acc)	174.9	183.7	-0.9	—
Commodity Bond (Acc)	179.9	189.0	+1.3	—
Deposit Bond (Acc)	221.8	233.0	+0.1	—
Equity Bond (Acc)	655.2	688.0	-0.1	—
Equity Bond Bonus	276.9	290.8	-0.1	—
European Bond (Acc)	181.0	190.2	-0.1	—
Extra Yld Bd (Acc)	366.6	385.1	-1.8	—
Far Eastern Bond (Acc)	146.6	154.1	-1.5	—
Gilt Bond (Acc)	264.3	277.7	-0.7	—
Gold Bond (Acc)	143.8	151.1	+5.7	—
High Yield Bond (Acc)	247.0	259.4	-0.4	5.03
Index-Linked GtBd(Acc)	126.3	132.7	+0.6	—
Interest Bond (Acc)	399.1	419.2	+0.8	—
Interest Inc Bond (Acc)	129.9	136.5	+0.4	—
Japan Bond (Acc)	206.5	216.9	+3.3	—
Japan Smaller Co (Acc)	145.5	152.9	+0.7	—
Managed Bond (Acc)	481.9	406.1	+0.2	—
Property Bond (Acc)	285.7	300.0	—	—
Recovery Bond (Acc)	349.5	366.9	+3.1	—
Pensions Funds				
American (Cap)	336.4	353.4	+1.0	—
American (Acc)	467.0	490.4	+1.9	—
Building Soc (Cap)	93.6	98.4	+0.1	—
Building Soc (Acc)	129.9	136.5	+0.1	—
Deposit (Cap)	153.7	161.5	—	—
Deposit (Acc)	213.4	224.2	+0.1	—
European (Cap)	138.5	145.5	+0.1	—
European (Acc)	192.3	202.0	+0.2	—
Equity (Cap)	406.9	427.3	-1.3	—
Equity (Acc)	564.3	592.6	-1.8	—
Gilt (Cap)	247.4	259.9	-0.6	—
Gilt (Acc)	343.5	360.7	-0.8	—
Gold (Cap)	100.5	105.7	+3.9	—
Gold (Acc)	139.6	146.6	+5.3	—
Index-Linked (Cap)	95.5	100.3	-0.1	—
Index-Lnkd Gilt (Acc)	132.8	139.5	-0.1	—
International (Cap)	110.6	116.2	+1.5	—
International (Acc)	153.5	161.3	+2.1	—
Intnl Inc (Cap)	107.3	112.8	+0.7	—
Intl Inc (Acc)	148.9	156.5	+0.9	—
Japan (Cap)	127.6	134.1	+1.6	—
Japan (Acc)	177.1	186.0	+2.1	—
Managed (Cap)	310.6	326.2	+0.6	—
Managed (Acc)	431.0	452.7	+0.8	—
PPP Fund (Cap)	297.5	312.5	-1.3	—
PPP Fund (Acc)	412.9	433.7	-1.8	—
Pacific (Cap)	256.8	269.7	+1.0	—
Pacific (Acc)	356.4	374.4	+1.4	—
Property (Cap)	132.2	138.9	—	—
Property (Acc)	183.5	192.8	—	—
Recovery (Cap)	189.6	199.1	+2.1	—
Recovery (Acc)	263.1	276.4	+2.9	—
UK Income (Cap)	109.9	115.5	-0.1	—
UK Income (Acc)	152.6	160.3	-0.1	—
Personal Pension (Acc)		1664.9	-7.0	—

NM Schroder Life Assur.—Contd.

Japan Smllr Co's	212.4	222.5	-1.6	—
Managed	427.5	450.0	—	—
Property	286.2	301.2	—	—
Residential Property	106.8	112.4	—	—
Singapore & Malaysian	140.5	147.8	+3.5	—
Smaller Companies	369.9	389.3	+2.0	—
Tokyo	344.7	362.8	-0.6	—
UK Equity	363.5	382.4	-1.1	—
American Pension	278.8	293.4	+1.3	—
Australian Pension	202.6	213.2	+6.9	—
CCM Vanguard Pension	164.9	173.5	-0.2	—
Equity Pension	596.8	628.2	—	—
European Pension	239.7	252.3	+1.2	—
Far Eastern Growth Pen	138.3	145.5	+1.3	—
Fixed Interest Pension	286.8	301.8	-0.4	—
Global Mngd Pension	139.2	146.5	+0.7	—
Gold Pension	125.4	132.0	+2.5	—
Income Acc Pension	220.5	232.1	+0.8	—
International Pension	172.1	181.1	+0.9	—
Japan Smllr Co's Pen	267.6	281.0	-3.2	—
Managed Pension	1215.5	1279.4	+0.4	—
Property Pension	267.6	281.4	+0.1	—
Residentl. Prop Pen	111.7	117.5	—	—
Singapore & Malay. Pen	158.4	166.7	+5.0	—
Smaller Cos Pension	179.6	189.0	+1.3	—
Special Exempt	316.2	332.8	+3.3	—
Tokyo Pension	398.6	419.5	-1.1	—
UK Equity Pension	204.6	215.3	-0.8	—

Prices: Life Series 4 Acc; Pension Series C Acc March 26

National Mutual Life
5 Bow Churchyard, London EC4M 9DH — 01-236 1566

Managed Fund	189.7	149.7	—	—
Managed Prospect Fund	145.8	153.5	—	—
UK Equity Fd	223.5	235.3	—	—
Fixed Interest	148.6	156.5	—	—
Pacific	184.8	194.6	—	—
North American	118.1	124.4	—	—
Pens. Managed	223.8	235.6	—	—
Pens. UK Equity	267.2	281.3	—	—
Pens. Overseas Equity	302.9	318.9	—	—
Pens. Property	116.8	123.0	—	—
Pens. Fixed Interest	159.9	168.4	—	—
Pens. Index Linked	123.6	130.2	—	—
Pens. Deposit	141.9	149.4	—	—
P.R.P. UK Equity	115.5	121.6	—	—
P.R.P. Overseas Equity	107.1	112.8	—	—
P.R.P. Fixed Interest	108.1	113.8	—	—
P.R.P. Property	96.0	101.1	—	—
P.R.P. Index Linked	111.0	116.9	—	—
P.R.P. Deposit	97.3	102.5	—	—
P.R.P. Managed	111.5	117.4	—	—
P.R.P. With Profits	97.4	102.6	—	—

National Mutual of Australasia
Serpentine Rd, Poole, Dorset — 0202 680646

Property Growth Assur.—Contd.
Prop. Pens. Fd.; Prop. Pens. Cap. Uts.; Bldg. Soc. Pen. Ut.; Bldg. Soc. Cap. Ut.; Gilts Pens. Fd.; Gilts Pens. Fd. Cap.; Equity Pens. Fd.; Equity Pens. Fd. Cap.; Intl. Pens. Fd.; Intl. Pens. Fd. Cap.

Providence Capital Life Assc. Co Ltd
30 Uxbridge Rd, London W12 8PG

MGM Assurance
MGM House, Heene Rd, Worthing

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Assurance Ltd

Save & Prosper Group

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Teachers' Assurance Company Ltd

Transatlantic Life Assur Co Ltd

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

The Aberdeen Trust PLC

Astrella Insurance Brokers Ltd

Bryan Wells & Partners Ltd

Chase de Vere Investments Ltd

Dalmary Caine Financial Mgt. Ltd

FPS Management Ltd

First Financial Services PLC

Fitzgrade Ltd

Investment Portfolio Services Ltd

Johnson Fry Plc

Knight Williams & Company Ltd

Lamont & Partners Ltd

Management & Executive Ltd

March Financial Management Ltd

Noble Lowndes & Partners Ltd

The Normandie Group

O'Halloran & Co/Comberside

PBR Fund Management Ltd.

The Perchester Group

Sharp (Albert E.) & Co

Towry Law & Co

University Medical General Ltd.

J. D. Ward & Co Ltd

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

Actibonds Investment Fund SA

Adig Investment

Albany Fund Management Limited

Aleksander Reeves (Bermuda) Ltd

Alliance Capital Management Intl. Inc.

Allied Dunbar International Fund Mgrs.

Allied Irish Fund Managers (CI) Ltd

Anglo-Swiss Assets Management Ltd

Asset Global Funds Ltd

BAII Multicurrency (SICAV)

BIA Bond Investments AG

BNP Inv Mgmt (Jersey) Ltd

Julius Baer Bank & Trust Co Ltd

Bamford Brandt Guernsey Mngt. Ltd

The Bangkok Fund

Banque de Neuflize Schlumberger Mallet

Banque Scandinave Fd. Mgrs. Ltd

Barclays Unicorn International

Baring Fund Managers (Guernsey) Ltd

Baring International Group

Barrington Mgmt (CI)—Barrington Fd

Bishopsgate Commodity Ser. Ltd

Brazil Capital Services Ltd

Bridge Management Guernsey Ltd

Bridge Management Ltd

Brown Shipley Fund Mgmt (CI) Ltd

Butterfield Management Co Ltd

CAL Investments (IoM) Ltd

CIBC Asset Management Limited

Capital International

Cater Allen Investment Management (CI)

Charterhouse Bank

Charterhouse Fund Mngt. (C.I.) Ltd

Citibank (CI) Ltd "Citifunds"

Cortexa International

Cosignment Fixed Int. Mngrs. (Jersey)

Credit Suisse

DWS Deutsche Ges. F. Wertpapiersp

Daiwa Investment Trust Co Ltd

Dartmoor Management (Guernsey) Ltd

Dean Witter World Wide Investment Trust SA

Delta Group

Deutscher Investment-Trust

Drayton Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. Ltd

Dunedin Unit Trust Mgrs (Bermuda) Ltd

Dunn & Hargitt Group

EBC Trust Company (Jersey) Ltd

Ebbers (Switzerland) Invest. Mngt. SA

Equitilink International Mngt Ltd

Equity International Management Serv's Ltd

Equity & Law International Fund Mgs Ltd

Equity & Law International Life Assur Co Ltd

Ermitage Management Ltd

Ermitage Management Cayman Ltd

Eurolife Assurance Group

S.G. Europe Obligations SA

Europe Prestige Fund SA

European Life (Channel Islands) Ltd

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for July 1986: 97.5 and for February 1987: 100.4 (rebased at 100 January 1987).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

NOTES

LONDON SHARE SERVICE

CANADIANS

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
32½p	20p	♥Abbot Energy Corp.	21½p	.....	—	—	—
19½	380p	♥Amer Barrick Res.	19½	+1	—	—	—
83p	36p	Armeno	76½p	+3	—	—	—
19¾	13¼	Bk Montreal ‖	16¼	–¼	$2.00	—	5.9
10½	595p	Bk Nova Scot.‖	928p	–14	72c	—	3.7
20¼	17⅝	BCE ‖	20⅝	+⅛	$2.40	—	5.6
960p	457p	♥Bow Valley‖	922p	–38	10c	—	0.5
18¾	11¼	♥Brascan‖	18¼	+⅛	88c	—	2.2
430p	233p	♥Breakwater Res.	430p	+3	—	—	—
11⅝	820p	Can.Imp.Bk. $2	10¼	+⅛	$1.08	—	4.8
12	692p	Can. Pacific ‖	11¼	...	48c	—	2.0
42	35	Do. 4pc Deb £100	42	.....	4%	—	9.5
23¼	875p	♥Echo Bay Mines	23⅝	.....	20c	—	0.4
680p	289p	♥Granges Explo‖	680p	+40	—	—	—
33p	10p	♥Gt Pacific Res	14½p	+2½	—	—	—
14	670p	♥Gulf Canada‖	13¾	+⅛	52c	—	1.8
15	10½	♥Hawker Sid Can‖	13	+¼	96c	—	3.5
750p	100p	Henlys Group	668p	+4	—	—	—
15⅝	11	Hudson's Bay ‖	13⅞	.....	60c	—	2.2
33⅞	16¼	♥Imperial Oil‖	37⅝	.....	s$1.60	—	2.4
11½	731p	Inco‖	10½	+¼	US$0.20	—	1.3
20	550p	♥Intl. Corona Res.	19⅝	+⅝	—	—	—
701p	500p	♥Inland Nat. Gas $1	668p	–7	60c	—	4.3
268p	122p	♥Muscocho Expln.	268p	+19	—	—	—
22⅛	748p	♥Ntnl Business Sys.‖	982p	+10	—	—	—
13½	965p	♥Rio Algom	11¼	.....	65c	—	2.7
19⅛	13⅝	Royal Bk. Can. ‖	16⅜	–¼	$2.00	—	5.9
48½	30¼	Seagram‖	48½	+½	US$1.00	—	1.4
14⅞	10½	Toronto-Dom. Bk.‖	14⅛	.....	84c	—	2.9
10	755p	♥Trans Can Pipe	987p	–13	$1.12	—	5.4
225p	125p	Varity Corp‖	147p	–2	8	—	—

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

For City & Foreign Hldgs see Industrials

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
250	180	Abelscot Group 10p	245	+5	3.2	—	1.8	—
50	10	Aberdeen Am Pet 10p	34	.....	—	—	—	—
120	112	Allied Ins. Brokers	113	.....	13.5	2.8	4.4	13.1
54	36	Catalyst Comm. 5p	47	.....	—	—	—	—
68	24	Corton Beach 10p	61	−2	—	—	—	30.3
145	121	Edenvarney Investment	145	+19	—	—	—	86.0
63	10	Eglinton Oil Ir.5p	32	−1	—	—	—	—
41	6	Do. Warrants	18	−2	—	—	—	—
29	17	Publishing Hldgs.5p	29	+2	—	—	—	16.8
55	46	Theme Holdings	49	.....	—	—	—	24.8
133	125	Unit Group	125	.....	94.6	2.5	5.6	(9.2)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	74	.....	Fin. 13% 97/02	£105½	+¼
Craig & Rose £1	£154	.....	Arnotts	350	+15
Finlay Pkg. 5p	69	+1	CPI Hldgs.	65xd	.....
Holt (Jos) 25p	900	−5	Carroll Inds.	130	−1
IoM Stm. £1	99	.....	Dublin Gas	11	.....
			Hall (R. & H.)	114	+6
IRISH			Heiton Hldgs.	31	.....
Fund 11¼% 1988	£98¾	+¼	Irish Ropes	175	.....
Nat. 9¼% 84/89	£93⅞	+¼	Unidare	309xd	+18

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	35	NEI	6
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp.	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	Property	
GEC	18	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	Oils	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	Mines	
Lucas Inds	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

Netherlands, Fl 2; Norway, NKr 7.00; Portugal Esc 100; Spain Pta 125; Sweden Kr 8.00; Switzerland SFr 2.20

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Mar 9	Mar 19	Mar 20	Mar 30
Mar 23	Apr 2	Apr 3	Apr 13
Apr 6	Apr 23	Apr 24	May 5

* New time dealings may take place from 9.00 am two business days earlier.

Index-linked Gilts rise on election hedging while equities recoup early losses

The UK Government bond market suffered a bout of election jitters yesterday, when worries over the latest public opinion pools outweighed the benefits of highly satisfactory UK trade statistics. *Prices for conventional* Gilts, having rallied on the trade figures, fell back later as investors *switched* into the index-linked issues which have become the *market's election* hedge.

Both market sectors opened lower *following publication of the* latest poll, which showed growing support for the *Liberal-Alliance*, thus opening up the prospect of a hung Parliament should an early election be proposed. But equities soon rallied, led by a *favourable* response from oil stocks to British Petroleum's plan to acquire *the outstanding* equity in Standard Oil for $7.4bn — which the *City regards as a vote of* confidence in higher oil prices.

By mid-session, *the stock market* had struggled into plus territory, helped by UK trade figures showing stronger exports. But the late weakness in Gilts, accompanied by hints that another opinion poll, confirming the Liberal-Alliance progress, would be published this *morning*, held equities back.

The FT-SE 100 index, down 21 in early trading, ended the day a net 5.1 lower at 2037.8, with the FT *ordinary index* 8.1 off at 1614.9.

In addition to strong gains in **British Petroleum** *(13m shares* traded) and **Shell**, there was a firmer *tone in such export stocks as* **Jaguar** and **Imperial Chemical Industries**.

Pharmaceuticals weakened, although the *City took* a cautious view of reports that the UK Government had considered expelling a Japanese bank from London as a result of the row over trade barriers.

Wellcome gave ground sharply *in relative thin* trading and Glaxo also shaded lower. Consumer *stocks fell back as the election* worries prompted profit-taking. *But across the broad range of* industrials, losses were small.

Gilt-edged stocks took a heavy tumble at the opening as traders studied the opinion poll results, and losses soon ranged to 1½ at the longer end, on selling from the domestic institutions.

But the fall was abruptly reversed after the trade figures announcement, and losses had *been almost completely* recovered when the market was hit by *switching operations—out of the* conventional long dates, which *ended a net ⅝ off, and into the* Index-linked stocks which closed with gains to 1¼.

The late downturn was disappointing for the market, which took a very bullish view of the trade figures. The switching came mostly from domestic sources.

Standard Chartered followed Wednesday's rise of 20 with a fresh gain of 17 at 816p as takeover speculation intensified; rumours of a rebid from Lloyds or that Mr *Robert Holmes a Court* had brought Mr Tan Sri Khoo Tech Puat's 6.28 per cent stake prior to making a full-scale offer for Standard accompanied the price movement. Elhewhere, around 10m **TSB** shares changed hands *amid growing belief that the* banks is on the verge of making its first major acquisition since its successful flotation last year and the close was a penny dearer at 85p, after 86p. Lloyds broker **Hegg Robinson** were touted as a possi*ble TSB target and moved up* a couple of pence to 382p. Elsewhere, **Morgan Grenfell** succumbed to renewed profit-taking and dropped 9 afresh to 393p, but **Brown Shipley**, at 588p were unmoved by the announcement that Invest International SA had sold its entire 9.53 per cent stake *(1.49m shares) in the company.* Sellers held sway among the *clearing* banks. **Barclays** *drifted* down 8 to 509p and **Lloyds** ended 10 easier at 469p.

Stewart Wrightson's annual results were deemed disappointing and the shares declined 11 at 463p. **C.E. Heath**, on the other hand, moved up 16 at 471p and **Willis Faber** appreciated 7 at 432p. Composites featured a fresh speculative flurry in perennial takeover favourite **Commercial Union** which closed 9 to the good at 333p.

Castle Communications staged a highly successful market debut; the shares, placed at 200p, opened *at 211p and moved* ahead *strongly* to close at 225p.

Allied Lyons *continued to* attract attention but business *(some 6.9m shares) was evenly* balanced and the price closed little changed at 403p. **Whitbread "A,"** on the other hand, reacted sharply on a turnover of 3.3m shares to end 12 down at 333p. **Vaux** also ran into selling and lost 7 at 583p. Fresh reports of a major UK group stalking Guinness failed to encourage interest. Volume contracted noticeably to 1.8m *shares and the price settled* 2 off at 333p. Elsewhere, revived *speculative demand took* **H.P. Bulmer** up 8 to 190p.

Costain remained a weak market and shed 25 more to 550p reflecting worries about its Australian subsidiary, but **Blue Circle** continued to attract attention in the wake of BZW's recent recommendation at around 700p and the close was 12 higher at 803p. Elsewhere in the Building sector, **Raine Industries** attracted fresh support and closed 9 higher at 122p. *Alfred McAlpine, the subject of favourable comment earlier in the week, moved up* 12 to 540p. **J. Jarvis** rose 20 to 585p in a restricted market and **Abbey** gained 12 to 265p. Brick concern **Ibstock Johnsen** firmed 7 to 275p on further consideration of the good results and proposed 100 per cent scrip issue.

FINANCIAL TIMES STOCK INDICES

	Mar. 26	Mar. 25	Mar. 24	Mar. 23	Mar. 20	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	91.22	91.56	91.66	92.19	92.04	91.87	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.20	97.33	97.32	97.52	97.89	95.50	97.98 (19/3/87)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,614.9	1,623.0	1,625.2	1,611.5	1,598.9	1,390.0	1,625.2 (24/3/87)	1,094.3 (14/1/86)	1,625.2 (24/3/87)	49.4 (26/6/40)
Gold Mines	428.2	412.4	386.6	367.4	362.4	286.9	428.2 (26/3/87)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.65	3.64	3.63	3.64	3.67	3.90				
Earnings Yld.%(full)	8.37	8.34	8.33	8.41	8.59	9.34				
P/E Ratio (net) (*)	14.65	14.70	14.72	14.59	14.46	13.27				
SEAQ Bargains (5 pm)	55,725	57,282	61,358	57,177	57,786	—				
Equity Turnover (£m)	—	1,587.19	1,665.65	1,445.81	1,487.14	824.44				
Equity Bargains	—	71,695	70,209	68,020	68,578	42,981				
Shares Traded (ml)	—	683.0	639.7	593.7	673.2	376.9				

S.E. ACTIVITY

Indices	Mar. 25	Mar. 24
Gilt Edged Bargains	174.2	184.6
Equity Bargains	464.5	454.9
Equity Value	3,208.1	3,366.7
5-Day Average		
Gilt Edged Bargains	181.3	196.3
Equity Bargains	443.0	427.1
Equity Value	3,108.5	3,171.5

♥ Opening 1606.5 | 10 a.m. 1610.0 | 11 a.m. 1607.0 | Noon 1620.2 | 1 p.m. 1613.2 | 2 p.m. 1612.3 | 3 p.m. 1616.8 | 4 p.m. 1617.1

Day's High 1620.7. Day's Low 1605.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil=14.11.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Trading statements prompted a couple of bright features in the Chemical sector. **Croda International** rose 13 to 217p following annual profits at the top of market estimates, while **W. Canning** gained 9½ to 195p in reply to good preliminary figures. **James Halstead**, a firm market of late, relinquished 10 to 241p following profit-taking; the annual figures are due on Monday.

Investors in leading retailers withdrew awaiting further reduc*tions in interest rates leaving the* way clear for renewed profit-taking. **Woolworth** *sustained a fall of* 18 at 835p and **Next** dropped 8 at 330p. **Storehouse** relinquished 8 at 308p and **Marks and Spencer** softened 4 at 225p. Elsewhere, **Freemans** continued to reflect the recent disappointing results with a fresh reaction of 12 to 426p, while **Empire** dipped 11 to 233p. **Combined English** cheapened 12 to 271p and **W. H. Smith "A"** lost 10 at 324p. **A. G. Stanley**, on the other hand, jumped 18 to 124p following *bullish comment on the preliminary* results and **Jacques Vert** rose 20 to 290p *in* anticipation of a rumoured development. **Lancs** revived with a speculative rise of 8 to 66p.

Apricot Computer provided a strong feature in Electricals, jumping 8 to 91p following news of the purchase of Digital Microsystems, a leading UK designer, manu*facturer and supplier of local area* network and communication sys*tems, from Extel for £2m cash.* **Atlantic Computer** also found support and leapt 60 to 555p, while **AMS Industries** added 12 to 75p and **CAP** put on 14 to 220p. **Scantronic** continued to reflect a BZW recommendation with fresh advance of 24 at 195p and **P-E International** reflected the sharply *increased annual profits with a* gain of 7 to 195p. **Comcap** firmed 17 to 482p, also after trading news, but profit-taking in the wake of the preliminary figures left **Brown Boveri Kent** 5 lower at 108p. Among the leaders, **British Telecom** dropped 5 to 256p as the Government's disappointing showing in the latest opinion poll revived re-nationalisation worries. **Thorn EMI** came on offer at 601p, down 13.

Engineers recorded several outstanding movements. Disappoin*ting preliminary* results left **Molins** 14 cheaper at 222p, but *Ratcliffs (GB) featured a gain of 12* at 120p on the announcement that Telfos has increased its holding in the company to just over 5 per cent. *Revived demand on expansion hopes* prompted a gain of 15 to 303p in **Braithwaite**, while buying was also *forthcoming* for **VSEL Consortium** which advanced 22 to 383p. **Astra Industrial** closed 4½ dearer at 23½ in belated *response to the proposed rights* issue to raise approximately £2.79m net, *part of which will be* used in expanding in the property and financial services sector.

Leading miscellaneous industrials, down initially, rallied to close with little alteration on the day. **Beecham** and **Boots**, however, settled with falls of 6 at 560p and 289p respectively. Elsewhere, **Wm Baird** featured a rise of 24 at 570p in response to the good prelimin*ary figures and proposed one-for-*three scrip issue. **British Aerospace**, *a dull market earlier in the* week on the annual results, rallied smartly to close 15 dearer at 648p, while **Pentland Industries**, still responding to the recent trading statement, advanced 34½ further to 740p. **Reuters** rose 13 to 708p *following the agreement in* principle to acquire I. P. Sharp Associates of Toronto, Canada. **Wellcome**, however, came under further selling pressure and gave up 19 more to 434p, while profit-taking clipped 5 from **Technical Component Industries** at 385p and 6 from **Pacific Sales** at 789p, but a revival of buying left **Excalibur** 13 better at 78p. **Hedgson** were noteworthy for a rise of 19 at 280p, while **Gordon Russell**, still reflec*ting the good annual results and confident statement on the outlook, improved 5 more to* 280p. **Extel** rose 6 further to 556p in anticipation of a bid from Mr Robert Maxwell; the ban on an offer from Mr Maxwell expires at the end of next month.

—**Central TV**, in which **Carlton Communications** recently acquired a 20 per cent stake, encountered profit-taking in the wake of the annual results and settled 60 lower at 590p. **Really Useful** were a 1½ up at 480p *following the interim figures,* while **Lewmar** jumped 25 to 150p on news that the company is in merger talks.

Mid-term profits just within the market range were a disappointment but the main reason for a marked setback in **Lucas Industries** was the warning about second-half prospects. The shares dropped to 560p offered before steadying late to end 22 down on the day at 571p. *After-the-event selling brought Kwik-Fit back 6 to* 161p, the bumper results having been discounted, but speculation that major shareholder Caparo Industries could be contemplating a full bid boosted *Armstrong* Equipment 5 more to 187p. Profit-taking brought **Lex Service** down 12 to 397p but renewed demand forced **Caffyns** up 33 further to 388p.

Very good preliminary results from **United Newspapers** were negated by the increase, described as miserly, in the *dividend payment. Th existence of* a bull trading position in the stock helped the fall in the shares which touched 483p before closing 16 down on balance at 490p. Trading announcements assisted **Blenheim Exhibitions** rise 5 more to 198p and **Clondalkin** improved 18 to 553p, while renewed buying interest took **Ault and Wiborg** still higher to 198p, up 8. **Kleenfold** *jumped 10 to 123p but profit-tak*ing lowered **Bemrose** 10 to 268p and **KLP** 25 *to* 385p. **Lowe Howard-Spinks** fell 7 to 448p.

Leading Properties moved higher before easing back in the absence of follow-through support to close with only *minor rises* on balance. Secondary issues, however, *continued* to display several noteworthy features. **Belgrave Holdings** were outstanding at 178p, up 28, on news that Naaz Investments, a private company controlled by Mr Nurdin Jivray and his family, has acquired from International Securities a 29.9 per cent stake conditional upon the resolution proposed at today's Belgrave EGM not being approved; Mr Jivray's London Park Hotels was recently acquired by the Mount Charlotte Group. **Speyhawk** gained 25 to 470p on expansion hopes *following* news of a proposed £26m rights issue, but **Shield**, a strong market of late on news of a joint venture with Heron, encountered profit-taking and shed 37 to 348p.

Completion of the sale of Wico, acquired last year through the takeover of Exco International, to Banque Indosuez stimulated enthusiastic, support of **British and Commonwealth** which rose 17 to 435p. Speculation that B and C could be building up a share stake lifted **Nevi Baltic** 16 further to 188p, while **York Trust** were in demand at 83p, up 3. **Asset Trust**, now a fund management group, *made* little response to excellent results after Wednesday's announcement *of* bid talks with a third party. A City report that **Argyle Trust** were *fully valued on fundamentals* aroused profit-taking after the recent strong upsurge and the close was 15 lower at 183p. The acquisition of a chain of estate agents *for £7.5m* left **Abaco** virtually unmoved at 69p.

Attention in the Oil sector focused on **British Petroleum** following details of its proposed tender *offer of $70 cash* for the outstanding 45 per cent of Sohio, valuing the *minority* at some $7.4bn; BP marked down to 872p initially, rallied strongly to close some 29 higher on balance at 918p. Elsewhere in Oils, **Shell** hardened ⅛ *to £12½, while* **Ultramar** picked up 3 at 240p. **Enterprise** were in demand at 271p, up 11, while **Britoil** gained 6 to 235p helped by a broker's recommendation.

Buyers *of gold shares* became very selective yesterday and many producer shares ended lower as profits were taken on the back of *the gains scored earlier this week.* Traders were undismayed by what was seen as a "healthy correction," which brought out just enough stock to fuel a two-way trade.

Marketmakers *soon* found prices slipping beneath them and were content to allow quotations *to slide where necessary.*

ConsGold closed lower in narrow trading. On the diamond sec*tor, De Beers came in for renewed* buying support. There were bright spots among the finance houses also.

Trade options

British Gas continued to attract a lively traded option business, recording 5,138 calls and 2,333 *puts.* **British Airways** attained 3,601 calls and **TSB** 2,494. Overall, total contracts struck amounted to 43,509, comprising 31,481 calls and 12,028 puts.

Traditional Options

- First dealings March 16
- *Last dealings March 27*
- Last declaration June 25
- For Settlement July 6

For rate indications see end of Unit Trust Service

Money was given for the call of **Smith and Nephew**, **Stone International**, **Norfolk Capital**, **Eagle Trust**, **Astra Industrial**, **NEI**, **Wheway**, **Equity and General**, **Centreway Industries**, **Blacks Leisure**, **Stockley**, **Atlantic Resources**, **Control Securities**, **Markheat**, **Spong**, **Amstrad**, **Eglington**, **British Gas**, **Stakis**, **Helical Bar**, **Cifer**, **Dares Estates**, **Reed International**, **Applied Holographics** and **West Industries**. A put was taken out in **Eagle Trust**, while double options were arranged in **NEI** and **Amstrad**.

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (281)

BRITISH FUNDS (5), AMERICANS (5), CANADIANS (6), BANKS (4), BUILDINGS (23), CHEMICALS (7), STORES (6), ELECTRICALS (15), ENGINEERING (9), FOODS (10), HOTELS (1), INDUSTRIALS (44), INSURANCE (2), LEISURE (6), MOTORS (3), NEWSPAPERS (6), PAPER (12), PROPERTY (20), TEXTILES (1), TRUSTS (43), OILS (8), OVERSEAS TRADERS (2), MINES (46), THIRD MARKET (2).

NEW LOWS (2)

AMERICANS (1) *Manufac. Hanover,* ELECTRICALS (1) F & H Group.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	6,300	156	+1	Ladbroke	491	441	−1
Allied Lyons	6,900	403	−2	Land Securities	2,800	409	+1
Amstrad	10,000	185	−5	Legal & Gen.	454	295	−5
Assoc. Brit. Foods	554	971	−3	Lloyds Bank	788	469	−10
BAT	8,300	541	+13	Lonrho	1,700	276	+1
BET	1,100	510	—	MEPC	486	388	+2
BOC	338	456	−1	Marks & Spncr	3,800	225	−4
BPB Inds	45	711	−2	Midland Bank	1,400	642	—
BPCC	1,200	343	+2	NatWest Bank	590	604	−5
BTR	4,600	331	—	Pearson	782	598	+5
Barclays	801	509	−8	P & O	2,100	640	+2
Bass	385	935	−4	Pilkington Bros	1,400	806	−4
Beecham	3,600	560	−6	Plessey	6,500	251	−2
Blue Circle	1,400	803	+12	Prudential	301	912	−12
Boots	2,200	289	−6	Racal	4,000	234	−4
Brit. Airways	9,550	129	+1	Rank Org	732	703	−10
Brit. Aero	3,900	648	+15	RHM	675	327	+2
Brit. Gas	33,000	95	−1½	Reckitt & Col	114	991	−4
Britoil	3,900	235	+6	Redland	950	478	+4
BP	12,875	918	+29	Reed Intl	269	408	−7
Brit. Telecom	5,600	256	−5	Reuters	2,700	708	+15
Burmah	272	296	−4	RMC	237	842	−5
Burton	4,500	305	−3	RTZ	1,700	759	+1
Cable & Wire	3,300	370	+2	Rowntree Mac	1,900	498	—
Cadbury Schwps	7,300	250	+4	Ryl Bnk of Scotland	401	334	−2
Coats Viyella	1,500	397	−6	Royal Insurance	875	932	−3
Comm. Union	4,500	333	+9	STC	4,600	265	—
Cons. Gold	1,300	912	−13	Saatchi & Saatchi	277	658	−2
Cookson	101	608	—	Sainsbury	1,200	502	—
Courtaulds	1,200	439	+3	Scott & Newcastle	252	257	−2
Dee Corpn	1,500	249	+1	Sears	3,100	134	−3
Dixons Grp	2,700	391	−7	Sedgwick	732	333	−3
English China Clays	347	408	−4	Shell Trans.	5,300	£12½	+⅛
Fisons	740	658	−7	Smith & Nephew	3,800	167	−1
Gen. Accident	109	957	—	Standard Chart.	970	816	+17
Gen. Elect	3,300	219	−4	Storehouse	2,431	308	−8
Glaxo	2,100	£14⅛	−⅛	Sun Alliance	245	807	+4
Globe Investment	259	158	+½	TSB	10,000	85	+1
Granada	399	349	−2	Tarmac	347	536	−4
Grand Met	2,000	479	−8	Tesco	1,000	482	−2
Gus "A"	345	£12¾	−⅛	Thorn EMI	1,300	601	−13
Guardian R.E.	432	934	−6	Trafalgar House	1,000	346	−2
GKN	1,100	390	−5	Trusthse Forte	4,500	242	+3
Guinness	1,800	333	−2	Unigate	1,200	404	+3
Hammerson Prop	436	533	+3	Unilever	338	£22⅞	—
Hanson Trust	9,200	185	−1	United Biscuits	1,200	289	+1
Hawker Sidd	576	596	−7	Wellcome	4,900	434	−19
Hillsdown Hlgs	2,200	270	−2	Whitbread 'A'	3,300	333	−12
ICI	2,900	£23⅛	+½	Willis Faber	1,200	432	+7
Imp. Cont. Gas	175	728	−1	Woolworth	650	835	−18
Jaguar	716	586	+5				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	16	94	3
Corporations, Dominion and Foreign Bonds	10	16	42
Industrials	453	567	518
Financial and Properties	190	152	245
Oils	42	30	40
Plantations	2	4	8
Mines	79	27	74
Others	83	61	55
Totals	875	951	985

FT-ACTUARIES INDICES

These Indices are the Joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Thursday March 26 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed March 25 Index No.	Tues March 24 Index No.	Mon March 23 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (208)	876.62	−0.4	7.29	3.04	17.37	2.72	[illegible]	879.42	872.86	737.75
2 Building Materials (27)	1085.72	—	7.20	3.05	17.45	0.72	1085.59	1082.07	1072.05	843.55
3 Contracting, Construction (29)	1487.57	−0.4	6.91	3.19	19.83	3.07	1493.35	1489.80	1477.97	1170.95
4 Electricals (12)	2158.70	−0.3	6.98	3.76	18.39	2.05	2164.13	2128.49	2097.99	1969.06
5 Electronics (38)	1976.66	−1.1	7.54	2.27	17.51	10.44	1998.00	2005.00	1981.68	1675.88
6 Mechanical Engineering (60)	487.69	+0.2	8.17	3.52	15.64	1.54	486.81	485.55	484.93	420.74
8 Metals and Metal Forming (7)	471.18	−0.3	7.69	3.36	15.79	0.00	472.64	470.08	465.16	332.96
9 Motors (15)	333.15	−1.2	8.28	3.27	13.91	2.63	337.17	337.28	332.03	297.94
10 Other Industrial Materials (20)	1487.14	−0.1	5.97	3.36	20.00	3.29	1488.85	1490.01	1485.19	1347.13
21 CONSUMER GROUP (187)	1188.55	−1.0	6.16	2.73	20.89	3.03	1200.04	1209.01	1198.43	984.16
22 Brewers and Distillers (22)	1096.38	−1.0	7.79	3.16	16.14	3.55	1107.56	1111.08	1097.29	968.98
25 Food Manufacturing (25)	901.38	+0.1	7.42	3.35	17.72	3.66	900.65	908.65	898.08	692.30
26 Food Retailing (16)	2199.88	−0.2	5.74	2.53	24.21	10.13	2204.55	2228.89	2201.37	1940.13
27 Health and Household Products (10)	2295.97	−1.6	4.14	1.68	28.03	0.28	2332.32	2378.97	2388.63	1598.2
29 Leisure (32)	1281.97	−0.4	5.87	3.34	22.50	8.62	1287.28	1286.75	1269.31	963.32
31 Packaging & Paper (14)	609.31	−0.9	5.82	2.79	22.30	2.05	614.96	617.93	607.25	476.21
32 Publishing & Printing (14)	3602.91	−0.9	5.63	3.23	22.82	5.18	3634.53	3652.09	3613.71	2599.50
34 Stores (37)	1012.35	−1.8	6.47	2.72	21.00	1.46	1029.59	1025.95	1015.73	984.64
35 Textiles (17)	714.49	−0.4	7.27	2.99	15.81	0.44	717.08	719.18	700.41	574.41
40 OTHER GROUPS (87)	993.97	—	7.91	3.46	15.69	4.17	994.35	996.03	987.86	856.61
41 Agencies (17)	1425.51	+0.8	4.35	1.74	31.07	6.40	1413.73	1405.98	1399.31	0.0
42 Chemicals (21)	1260.07	+0.4	7.71	3.51	15.88	16.19	1254.53	1244.94	1236.11	928.35
43 Conglomerates (12)	1273.43	−0.4	6.88	3.46	17.21	2.13	1278.04	1282.71	1278.47	0.0
45 Shipping and Transport (11)	2006.72	+0.2	6.60	4.05	18.11	2.98	2003.44	2005.04	1970.13	1677.64
47 Telephone Networks (2)	1001.42	−1.4	9.34	3.85	14.60	1.09	1014.07	1021.82	1010.75	1055.16
48 Miscellaneous (24)	1376.85	+1.3	8.82	3.29	12.78	3.29	1358.83	1368.95	1359.32	1053.25
49 INDUSTRIAL GROUP (482)	1067.96	−0.6	6.92	3.01	18.32	3.35	1074.06	1078.55	1069.84	899.80
51 Oil & Gas (18)	1901.81	+1.6	8.91	4.68	14.18	35.18	1871.82	1907.72	1850.58	1191.52
59 500 SHARE INDEX (500)	1138.56	−0.3	7.21	3.25	17.56	6.14	1141.48	1148.72	1135.04	917.63
61 FINANCIAL GROUP (117)	697.96	−0.2	—	4.23	—	5.94	699.16	700.70	692.18	624.02
62 Banks (8)	732.83	−0.7	18.05	5.22	7.61	12.84	737.64	739.86	731.84	670.81
65 Insurance (Life) (9)	987.37	−0.9	—	4.22	—	8.66	996.26	1007.33	1002.89	906.11
66 Insurance (Composite) (7)	540.67	+0.3	—	4.40	—	5.06	538.85	542.35	537.52	517.27
67 Insurance (Brokers) (9)	1202.46	+0.2	8.76	4.55	14.75	13.35	1200.17	1176.89	1172.40	1275.93
68 Merchant Banks (11)	383.75	−0.4	—	3.28	—	0.71	385.19	387.07	384.89	358.12
69 Property (47)	963.11	+0.4	5.02	3.07	25.95	1.64	959.13	956.67	924.91	751.57
70 Other Financial (26)	461.67	+0.5	7.08	3.33	18.06	2.35	459.47	458.79	457.00	357.92
71 Investment Trusts (96)	991.17	+0.2	—	2.38	—	4.64	989.56	989.81	984.88	759.99
81 Mining Finance (2)	406.84	−0.6	7.53	4.04	15.62	1.89	409.12	387.79	385.70	325.74
91 Overseas Traders (12)	902.60	—	9.01	4.96	13.44	10.30	902.37	899.91	894.62	701.24
99 ALL-SHARE INDEX (727)	1019.40	−0.2	—	3.38	—	5.97	1021.72	1026.58	1014.73	832.39

	Index No.	Day's Change	Day's High	Day's Low	March 25	March 24	March 23	March 20	March 19	Year ago
FT-SE 100 SHARE INDEX ♠	2037.8	−5.1	2045.7	2021.2	2042.9	2064.5	2033.0	2017.5	1993.8	1717.6

FIXED INTEREST

PRICE INDICES	Thurs March 26	Day's change %	Wed March 25	xd adj. today	xd adj. 1987 to date
British Government					
1 5 years	123.99	−0.30	124.37	—	2.83
2 5-15 years	144.45	−0.73	145.52	—	3.10
3 Over 15 years	153.16	−0.73	154.28	—	3.45
4 Irredeemables	168.36	−1.42	170.78	—	1.62
5 All stocks	140.22	−0.61	141.08	—	3.08
Index-Linked					
6 5 years	120.27	+0.45	119.74	—	0.83
7 Over 5 years	122.88	+0.93	121.75	—	0.68
8 All stocks	122.45	+0.84	121.43	—	0.86
9 Debentures & Loans	125.90	−0.63	126.70	—	2.15
10 Preference	87.65	—	87.65	—	1.56

AVERAGE GROSS REDEMPTION YIELDS		Thurs March 26	Wed March 25	Year ago (approx.)
British Government				
1 Low Coupons	5 years	7.97	8.06	8.30
2	15 years	8.91	8.78	8.61
3	25 years	8.94	8.79	8.62
4 Medium Coupons	5 years	8.95	8.77	9.28
5	15 years	9.10	8.99	8.98
6	25 years	9.10	9.00	8.94
7 High Coupons	5 years	9.06	8.92	9.29
8	15 years	9.22	9.12	9.13
9	25 years	9.07	8.98	9.01
10 Irredeemables †		8.97	8.83	8.74
Index-Linked				
11 Inflat'n rate 5%	5 yrs	2.41	2.61	4.04
12 Inflat'n rate 5%	Over 5 yrs	3.31	3.37	3.74
13 Inflat'n rate 10%	5 yrs	1.30	1.49	2.96
14 Inflat'n rate 10%	Over 5 yrs	3.17	3.23	3.58
15 Debs & Loans	5 years	9.67	9.57	10.08
16	15 years	9.95	9.87	10.08
17	25 years	9.99	9.91	9.92
18 Preference †		10.65	10.65	11.32

♠ Opening index 2021.2; 10 am 2028.7; 11 am 2028.7; Noon 2045.1; 1 pm 2037.5; 2 pm 2036.2; 3 pm 2042.6; 3.30 pm 2041.0; 4 pm 2041.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Allied Lyons (*403)	330	78	87	95	1	2½	3
	360	48	60	72	1½	9	15
	390	22	38	48	7	18	23
	420	8	18	28	25	32	37
Brit. Airways (*129)	100	30	32	37	1	2	3½
	110	20	25	28	1	3	6
	120	11	17	22	1½	6	10
	130	6	12	16	5½	11	16
[illegible]							

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Guinness (*334)	280	60	73	85	2	10	12
	300	47	62	72	9	15	22
	330	27	43	55	20	25	30
	360	10	27	—	35	40	—
Ladbroke (*442)	343	103	108	—	1½	1½	—
	375	73	85	—	2	2	—
	403	48	60	75	6	9	13
	443	28	33	45	20	22	27
[illegible]							

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

BELGIUM/LUXEMBOURG

SPAIN

SWEDEN

DENMARK

ITALY

HONG KONG

FINLAND

SWITZERLAND

NETHERLANDS

FRANCE

AUSTRALIA

JAPAN

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO

Closing prices March 26

MONTREAL

Closing prices March 26

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 37

NYSE-Consolidated 1500 Actives

TOKYO – Most Active Stocks

Thursday, March 26, 1987

LONDON – Most Active Stocks

Wednesday, March 25, 1987

LONDON

Chief price changes *(in pence unless otherwise indicated)*

RISES:								FALLS:		
Apricot Comp	91	+ 8	Belgr Hldgs.	178	+28	Croda Intl.	217	+13	Argyle Tr	183	−15
Armstr. Equip	187	+ 5	Blue Circle	803	+12	Lanca	68	+ 8	Central TV	590	−60
Ault & Wiborg	198	+ 9	Brit. & Com.	435	+17	Lewmar	150	+25	Costain	550	−25
BAT Inds.	541	+13	BP	918	+29	Nevi Baltic	188	+16	Lucas Inds.	571	−21½
Baird (Wm.)	570	+24	Bulmer (H. P.)	190	+ 8	Pentld Inds.	740	+34½	Molins	222	−14
			Canning (W.)	195	+ 9½	Scantronic	195	+24	Shield Group	343	−37
						Speyhawk	470	+25	Utd. Newsp	490	−16
						Standard Chart.	816	+17	Wellcome	434	−19
						Stanley (A. G.)	124	+18			

US QUARTERLY RESULTS

AMI posts improved second quarter

BY DAVID OWEN IN NEW YORK

AMERICAN Medical International, the US private hospital operator which recently rebuffed a sweetened $1.9bn bid by Chicago physician, Dr Leroy Pesch, yesterday announced improved second-quarter net earnings of $28m, or 32 cents a share, on revenues of $950m.

In the corresponding quarter ended February 28 1986, the company reported a net loss of $82.2m, or 95 cents, on revenues of $862m. The loss included pre-tax asset write-downs of $114.6m and additions to various reserves totalling $60m.

Net earnings for the first half of fiscal 1987 totalled $56.6m, or 65 cents a share, on revenues of $1.88bn. This compares with a year-earlier loss of $53.5m, or 62 cents, on revenues of $1.67bn.

AMI has described Dr Pesch's revised $22-a-share bid as seriously inadequate and not in the best interests of the company or its shareholders.

In early morning trading on the New York Stock Exchange, AMI's share price rose $¼ to $19¾.

"We fully expect the solid performance established thus far in fiscal 1987 will continue through the year and in the future," said Mr Walter Weisman, the company's president and chief executive officer.

Degussa seeks platinum deal

BY BERNARD SIMON IN TORONTO

DEGUSSA, the West German precious metals refiner and trader, will take a half-interest in more than a dozen platinum exploration projects in North America if negotiations on a joint venture with International Platinum Corporation of Toronto come to fruition.

IPC said that the two companies had signed a letter of intent to continue talks on a joint exploration agreement. Degussa would obtain a 50 per cent interest in IPC's properties in return for a "substantial" contribution to a three-year exploration budget of C$4.5m (US$3.46m).

IPC said that Degussa's participation would also give it access to technical and marketing expertise.

The Canadian company has exploration rights on 14 properties in Canada and one in the US state of Wyoming. All the sites appear to have rock structures similar to those of the rich platinum deposits in South Africa.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	20 1/8	AAR s	.50	1.5	23	753	33	32 1/4	33	+ 1 1/8
37	21 7/8	ADT	.92	2.6	20	578	35 3/4	34 5/8	35 3/4	+ 7/8
41 1/2	23 5/8	AFG	.12e	.3	12	1157	40	38 5/8	39 7/8	+ 1/2
40 1/4	16 3/8	AGS			22	146	37	36 3/4	37	
14 7/8	6 3/4	AMCA				149	9	8 7/8	8 7/8	+ 1/8
9 3/8	4 7/8	AM Intl				838	8 7/8	8 3/4	8 3/4	− 1/8
62 7/8	47 1/4	AMR			12	4559	55 5/8	54 3/4	55	+ 7/8
27 1/2	25	ANR pf 2.67		10.		3	26 1/4	26 1/4	26 1/4	− 3/8
12 7/8	8	ARX s			13	563	10 3/4	10 5/8	10 5/8	
62 1/4	28 3/4	ASA	2a	3.5		2450	58 3/4	57 1/8	57 1/8	− 2 1/8
17 1/8	9 3/4	AVX		1.8		458	17 1/8	16 7/8	16 7/8	+ 1/8
32 3/4	26 1/2	AZP	2.72	8.5	10	1142	32	31 3/4	31 7/8	− 1/8
67	39 3/8	AbtLb s	1	1.5	26	4630	66 1/2	65	65	− 3/4
34	25	AccoWd .62		2.0	20	80	31 1/4	30 5/8	31 1/4	+ 1/2
14 1/8	9	AcmeC .40		3.2	23	179	12 3/4	12 1/2	12 5/8	
8 5/8	6 1/8	AcmeE .32b		4.0	26	143	8	7 7/8	8	+ 1/8
23 7/8	18 3/4	AdaEx 3.42e		15.		154	22 5/8	22 3/8	22 5/8	+ 1/4
19 1/2	11 3/8	AdmM s .24		1.3	15	7	19	18 3/4	19	+ 1/4
21 1/2	12 1/8	AdvSys .62t		3.0	16	43	21 1/8	21	21	− 1/8
31 1/2	12 7/8	AMD				3709	19 7/8	19 1/2	19 5/8	− 1/8
10 1/8	5 1/4	Adobe				511	10	9 5/8	10	+ 3/8
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Continued on Page 37

هكذا من الأصل

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 35

For London market and latest share index 01-246 8026; overseas markets 01-246 8086

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Blue chips give impetus to record high

WALL STREET

After a one-day breather, a strong performance by stock index futures helped push up Wall Street stock prices to record levels yesterday on heavy volume, *writes Roderick Oram in New York.*

The steadying of the dollar after recent weakness and central bank intervention improved the mood of the credit markets. Prices edged higher as the Treasury had a favourable response to the third and last of its three refunding auctions this week.

The Dow Jones industrial average closed up 9.10 points at a record 2,372.59 although it had been up almost 25 points at its best before profit taking reduced the gain. Buying interest appeared to be heavily influenced by programme traders arbitraging between the futures and the underlying shares.

The advances were narrowly concentrated, however, in the big capitalisation stocks and broader market indices lagged. The Standard & Poor's 500 index added 0.55 to 300.93 while the New York and American stock exchange composite indices were up 0.27 to 170.77 and down 0.14 to 338.41 respectively. The Nasdaq over-the-counter composite added 1.23 to 438.71.

NYSE volume expanded to 195.9m shares from 171.3m on Wednesday with the advancing issues outnumbering those declining by only 55.

Some analysts suggested that investors' fears of a correction to prices were partially allayed by the latest opinion of Mr Robert Prechter, editor of the Elliott Wave Theorist and one of the leading market gurus. He suggested that stocks had passed through a consolidation phase and were ready to move higher. He had earlier expressed concern that the market might suffer a correction when the Dow Industrial index broke through 2,300.

Oil stocks were one of the strongest sectors yesterday, boosted by higher oil prices and British Petroleum's $7.4bn bid for the 45 per cent of Standard Oil it does not own already. Standard Oil jumped $8⅛ to $71 on volume of more than 4.6m shares. Some analysts suggested, however, that BP might have to raise its $70 a share offer. BP's American Depository Receipts gained $2 to $59⅝ on the New York Stock Exchange.

Among other oil stocks, Exxon added $⅝ to $88, Chevron rose $¼ to $58, Mobil was up $⅛ to $49⅝, Amoco added $¾ to $83⅝, Atlantic Richfield gained $3 to $80⅝ and Texaco put on $½ to $37⅝.

Consolidated Rail Corporation rose to $30⅝ on its first day of trading from its issue price of $28 with 18.8m shares changing hands. The $1.64bn issue set records for the largest US equity and initial public offerings.

Among other rail companies, Union Pacific slipped $¾ to $79, Santa Fe Southern Pacific fell $⅜ to $36⅝, Norfolk Southern lost $⅝ to $97⅛ and Burlington Northern rose $½ to $69⅝.

K mart added $1⅛ to $66½ after announcing it would supply goods to a home shopping by television service owned by Entertainment Marketing, which fell $1 to $13¼ on the American Stock Exchange. Home Shopping Network, a leader in the field, fell $1⅜ to $19½.

Among other retailers, Sears Roebuck fell $¼ to $52⅝, J. C. Penney added $⅛ to $99½, Federated Department Stores gained $5¾ to $102⅝ after it announced a two-for-one stock split and increased dividend and Wal-Mart advanced $⅛ to $59⅝.

American Medical International rose $¼ to $19⅝. The hospital group which is the object of a takeover offer from Pesch, a closely held Chicago company, reported second quarter earnings of $28m against a year earlier loss of $82m after charges.

Cyclops fell $½ to $91⅛. Dixon's, the UK electrical goods retailer, failed to win a majority with its $90¼ a share offer.

USAir edged up $¼ to $44½. Trans World Airways, up $⅝ to $28⅝, said it had sold its 14.8 per cent stake in the airline, ending its bid for the carrier.

The tone of credit markets improved as the dollar firmed yesterday and the third and final leg of the Treasury's refunding got under way. The price of the 7.50 per cent benchmark Treasury long bond rose ⅜ a point to 99⅞ at which it yielded 7.55 per cent. Shorter maturities made smaller gains.

The Treasury auctioned yesterday $7.33bn of seven-year notes at an average yield of 7.04 per cent compared with 7.09 per cent at the previous auction last December. The volume of bids at $26.9bn was $8–$10bn more than usual. The markets liked the outcome and prices of existing issues edged a notch higher.

Satisfaction was expressed that all three auctions this week brought a reasonable level of bids near the prevailing yields. Retail buyers remained thin on the ground but the downturn in bank lending ensured good demand from banks.

CANADA

A BRISK rebound among gold and other precious metal issues forced a downturn in Toronto.

Hemlo, which gained C$2 on Wednesday, traded C$⅛ lower to C$25¼ as Lacana Mining dropped C$⅜ to C$17.

Among other metal stocks Alcan was C$⅝ lower at C$51⅜ and Noranda turned C$⅛ cheaper at C$30⅝.

Oils responded to BP's tender offer for Standard Oil: Shell Canada jumped C$1⅜ to C$40⅛ and Texaco Canada was C$⅛ up at C$35⅛.

Montreal posted a small gain despite weakness among industrials, banks and utilities.

Stefan Wagstyl reviews the glittering performance of world gold stocks

Gold rush dazzles investors

GOLD SHARES have soared by 40 per cent on world stock markets since the beginning of the year, running far ahead of a modest increase in bullion prices.

Stockbrokers following gold producing companies have been surprised by the sudden rush of investment interest, at a time when industrial equities on Wall Street and elsewhere have been hitting record highs.

Gold bullion has risen by only 5 per cent since January 1 to $411.75 an ounce at yesterday's London fixing.

Yet over the same period, gold shares in Australia and North America have climbed by an average of more than 40 per cent. Even the politically blighted South African market has been set alight; since the end of February the FT Gold index of South African stocks has climbed 40 per cent, much of it in the last week.

Warnings from some stockbrokers that the shares are now too expensive are going unheeded, even when they are stated in the most uncertain terms. "In most cases we are much more inclined to be thinking of selling than buying at this time," said Bunting of Toronto in a recent report, pointing out that one leading Canadian producer, Echo Bay, was trading on a multiple of 40 times prospective earnings for 1987.

A number of influences appear to lie behind this surge in investment. Non-South African gold shares first began to move last summer, after gold bullion had risen above $380 an ounce, prompting several forecasters to suggest prices might rapidly climb as far as $500.

Australian shares responded most eagerly because they appeared cheap compared with North American stocks when valued on a multiple of earnings. Investment interest in Australia was then boosted by Mr Bob Hawke, the Prime Minister, when he decided to reject proposals to start taxing gold companies.

More broadly, some investors began to fear last autumn that the bull market in equities might be running out of steam. After a lull before Christmas, these concerns again took hold of many private and institutional investors in the new year.

As North American and Australian gold shares soared, so the much larger South African gold market began to look increasingly cheap. Investors put aside fears about the country's political future, perhaps taking heart from recent developments, including the rescheduling this week of some of the republic's foreign debts. Mr Julian Baring, a partner at London broker James Capel, says: "It was looking extraordinarily cheap. They came in like lemmings."

So are the gold share markets now set for a fall?

Certainly, non-South African gold shares look expensive in relation to industrial stocks, with price/earnings multiples of well over 20 common in Australia and over 40 in North America. Mr Michael Coulson, of London broker Kitcat and Aitken, says it is illogical for investors to sell Wall Steet industrial stocks because they look expensive on multiples of 20 times earnings in order to buy gold shares on 40.

To be fair, gold mining has been expending rapidly in the 1980s. Output at Echo Bay, for example, is expected to rise to more than 500,000 ounces a year by 1988 – double the 1985 figure. Moreover, with funds being poured into exploration, the chances of discovering new, commercially viable deposits are good. And profit margins are often so large that it is not uncommon for a mine to repay its capital costs in 18 months.

The South African market is, of course, a special case. Even after this month's rise, gold shares are trading on multiples of prospective earnings of only about 15. The political discount is even bigger than it seems, given that these mines are larger producers with longer mine lives than those elsewhere.

However, the course of political events in the republic is all-important to this market. Thus, prices fell last summer following the failure of the Commonwealth leaders' peace mission.

Foreign investors hold about 30 per cent of the South African gold market. Few have been prevented from trading by economic sanctions. Even in the US a ban on new investment does not apply to shares in companies which were listed before the restriction was imposed last autumn.

In South Africa the bullion price remains a significant influence on the market, politics notwithstanding. Everywhere else it is all-important. Many brokers argue that non-South African share prices have risen so far above gold that either the price of the metal must now go up or stock prices must drop.

Mr Albert Loveless, of London broker Smith New Court, says: "The gold mine market is saying that the gold price is set for a $25 jump. If it doesn't come, the share markets are vulnerable."

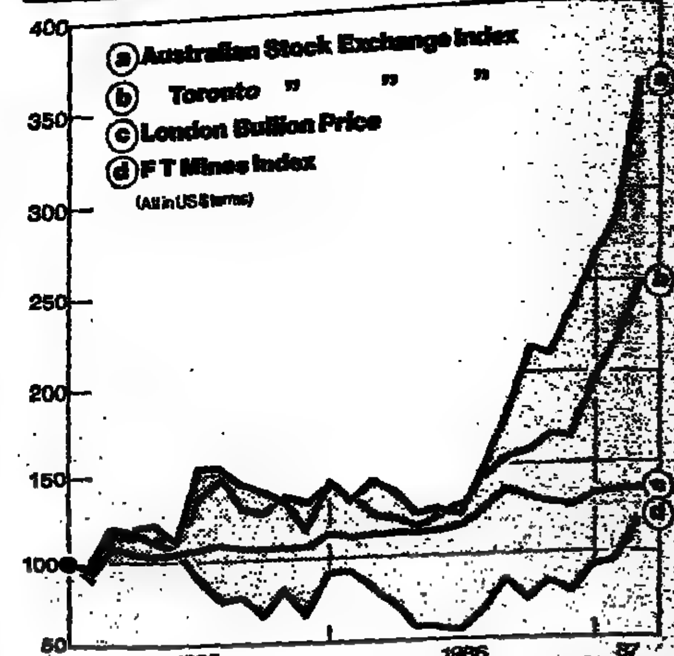
It would not be the first time that a rally in gold stocks has preceded a rally in bullion. Sometimes the expectations are self-fulfilling as fast-moving speculative investors go first for shares, where price movements are more rapid, and then switch their money into metal.

However, a sustained rally in gold could be supported only by a substantial shift in funds into bullion. This is not impossible if enough investors come to believe that the long bull markets in equities and bonds have run out of steam.

Shearson Lehman Brothers, the New York trading company, recently pointed out that the total value of investment purchases of gold in 1975-85 accounted for just 8.45 per cent of the capitalisation of the world's stock markets and 8.3 per cent of the bonds market. It would take only a tiny shift in funds to have a huge effect, says Shearson.

Yet it is by no means clear that funds pushed into gold in a brief panic should necessarily stay there for long. As long as inflation rates are low and real interest rates are high, investors holding gold will be giving up income.

GOLD



Aalberts tests its mettle in Amsterdam

BY LAURA RAUN IN AMSTERDAM

AALBERTS Industries, a rapidly growing maker of high-precision aluminium components, is one of the few Dutch companies in recent years to go directly to the Amsterdam stock exchange to raise capital.

Most young, small companies go public first on Amsterdam's parallel market, which was designed as a form of launch pad for inexperienced companies. But Mr Johannes Aalberts, founder and president-director, explained that his company is unique in its sophisticated extrusion process for precision aluminium parts and promises virtually unlimited growth potential.

When Aalberts shares begin trading today investors will get a chance to show whether they agree. The Fl 29 ($9.20) a share issue price means a price-to-earnings ratio of 20, quite steep by Amsterdam standards, but a lot of investors already have shown their confidence.

The Fl 25.3m offering of new and replaced stock was oversubscribed and given the novelty of the listing could draw some attention. After the issue the company's share capital will be about half in the hands of public shareholders, around 40 per cent in management hands and the rest in venture capital companies.

Aalberts was established in 1975 as a manufacturer of aluminium components using an advanced extrusion process unknown outside the US. Mr Aalberts managed to convince a roster of blue-chip companies to buy these high value-added components and expanded into extrusion dies, other precision engineering parts and synthetic, laminated building panels.

The company reported net income of Fl 2.42m on sales of Fl 47.2m in 1986 and expects earnings to jump 30 per cent this year and turnover to surge 29 per cent. A modest dividend probably will be paid this year for the first time.

Mr Aalberts, a 47-year-old mechanical engineer, explains why the highly automated company should continue to grow rapidly. It constantly is creating new products and fresh markets among its high-tech customers in the aerospace, telecommunications and electronics industries. Customers include Philips, IBM, Fokker and Airbus.

Heavy investments over past years have outfitted the company with computer-aided design, manufacturing and testing. Now more cash flow should be left for profits.

One of the biggest challenges for the Venlo-based company could well be how to deal with success. Bigger size often means less flexibility in production and management and flexibility is one of the company's biggest strengths. Quick turnrounds on the production line and short lines of communication have done much to make Aalberts as productive as it is.

EUROPE

Frankfurt goes on a buying spree

A BUYING spree led by local investors lifted the West German bourse sharply higher yesterday, while French shares crept up to another record in a generally mixed to lower European scene.

Frankfurt shook off its blues, at least for the session, as positive corporate news and a slightly firmer dollar brought enthusiastic buying in leading blue chips which spread across the board.

The rise, which took the Commerzbank index up 38.5 to 1,738.5, came as a surprise to some traders, given the market's recent caution amid gains earlier in the week. The FAZ index rose 12.33 to 574.93.

In the limelight were chemical Hoechst, with a rise in profits despite lower foreign sales, and electronics group Siemens, which forecast an increase in world turnover this year. Hoechst was up DM 9.60 at DM 270.50 while Siemens advanced DM 22 to DM 673.

Also in the electronics sector, Nixdorf was up DM 13.50 at DM 730.50. The computer group has won a DM 300m order – its biggest ever – from the Federal Labour Office.

Bullish news for the market come from Dresdner Bank which said share prices had discounted the prospects for lower company earnings in 1987 and that, given a stable dollar, there were interesting opportunities in energy, chemical, financial and technology issues.

Encouragement for exporters also came from an official of the Economics Ministry who told a business conference that exports could start rising again in real terms in 1987.

Bank gains included a DM 9.50 rise to DM 340 for Dresdner and a DM 14 advance to DM 658 for Deutsche Bank.

Retailers saw Kaufhof up DM 6.50 at DM 447 and Horten ahead by DM 8 to DM 215 amid news of another good year ahead from the General Association of German Retail Trade.

Bond prices rose by up to 50 basis points at the longer end in active trading. The Bundesbank sold DM 81.9m worth of paper after selling DM 80m on Wednesday.

Paris reached its fourth consecutive peak despite considerable profit-taking which left some blue chips down on the day.

The bullish undertone was boosted by prospects of a reduction in corporate taxes and general economic optimism and was unaffected by Wall Street's overnight decline and the rise in February unemployment.

The CAC General index edged up 1.2 to a record 400.4 in active trading.

In constructions, which have risen sharply this week, Bouygues lost FFr 30 to FFr 1,440 amid accusations by the Commission des Operations de Bourse of irregularities over its bid for a stake in Spie-Batignolles.

Lafarge Coppée, which announced a 56 per cent increase in 1986 profits, gained FFr 10 to FFr 1,670.

Among other companies reporting results, Roussel Uclaf in pharmaceuticals added FFr 5 to FFr 1,810 after lower profits hit by the weakness of the dollar.

Amsterdam finished mixed after busy but selective trading. Foreigners were again buyers of key internationals Royal Dutch and Unilever, which picked up after Wednesday's profit-taking, but local investors were mainly sidelined.

Royal Dutch gained Fl 3.30 to Fl 248 and Unilever Fl 5.30 to Fl 571.30; but Philips eased 10 cents to Fl 49.90 and KLM was steady at Fl 39.60.

Trading in construction company Bredero's shares remained suspended.

Zurich saw early buying fizzle out to leave share prices mixed at the close in lower turnover after two days of gains.

Crédit Suisse, which reported uneven business in the first two months of the year, was up SFr 10 at SFr 3,130 in mixed banks. Union Bank fell SFr 15 to SFr 5,210.

Engineer Georg Fischer, which said an unknown company had been buying blocks of its shares, saw its bearer rise a steep FFr 90 to FFr 1,750.

Brussels fell again in profit-taking, with market leader Petrofina down BFr 150 at BFr 10,300.

Against the trend, Générale de Banque rose FFr 50 to BFr 6,800, its 12-month high, after a 20 per cent increase in profits.

Milan was also mixed in moderate trade. Fiat lost L50 to L12,830 and Olivetti L100 to L13,200 among leading blue chip industrials.

But Montedison, whose joint venture in polypropylene with Hercules Inc has been approved by the EEC, added L15 to L2,890.

Stockholm eased on profit-taking and a Government forecast of a lower than expected trade surplus.

Oslo fell in lower turnover while Madrid was also down slightly in thin trading. Telefonica, which has been authorised to increase tariffs, was up 2.5 percentage points at 172.5 per cent of nominal market value.

LONDON

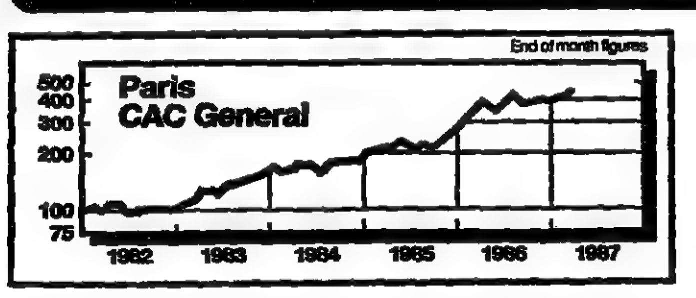
THE LATEST UK trade statistics managed to instil some stability in the London government bond market yesterday which suffered a bout of election jitters following an opinion poll suggesting a hung parliament after the next election.

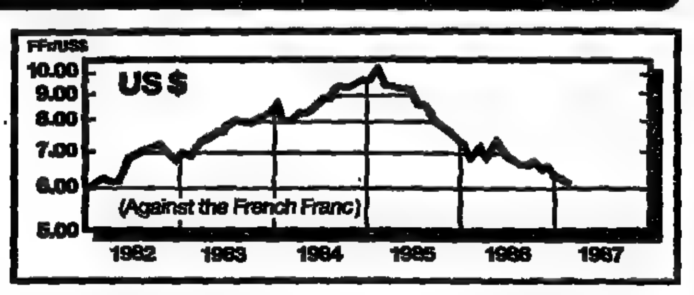
Losses ranged up to 1⅛ points among longs at first before a late rally which left quotes up to ⅜ lower although index linked issues closed with gains of up to 1⅛ points.

The equity markets were less fragile as oils found some encouragement from the BP $7.4bn bid for Standard Oil's outstanding equity.

The FT-SE 100 index, down an early 21 points, closed 5.1 lower at 2,037.8 and the FT Ordinary index was 8.1 off at 1,614.9. Details, Page 34

KEY MARKET MONITORS





STOCK MARKET INDICES

	Mar 26	Previous	Year ago
NEW YORK			
DJ Industrials	2,372.59	2,363.49	1,810.70
DJ Transport	951.19	949.81	816.24
DJ Utilities	219.71	220.06	189.37
S&P Comp.	300.93	300.38	237.30
LONDON FT			
Ord	1,614.9	1,623.0	1,390.0
SE 100	2,037.8	2,042.9	1,653.9
A All-share	1,019.40	1,021.72	822.62
A 500	1,138.56	1,141.48	905.12
Gold mines	428.2	412.4	286.9
A Long gilt	9.07	8.98	8.95
TOKYO			
Nikkei	21,558.79	21,472.87	15,059.7
Tokyo SE	1,889.51	1,860.16	1,198.56
AUSTRALIA			
All Ord.	1,690.1	1,678.0	1,125.7
Metals & Mins.	879.8	860.7	567.0
AUSTRIA			
Credit Aktien	200.71	200.99	231.92
BELGIAN SE	4,524.53	4,543.82	3,468.05
CANADA			
Toronto			
Met.& Mins.	2,635.0	2,674.5	2,353.0
Composite	3,814.1	3,828.5	3,024.3
Montreal			
Portfolio	1,905.16	1,915.12	1,595.62
DENMARK SE	—	—	242.42
FRANCE			
CAC Gen	400.40	409.20	268.4
Ind. Tendance	117.20	117.10	88.2
WEST GERMANY			
FAZ-Aktien	574.93	562.60	679.89
Commerzbank	1,738.50	1,700.50	2,060.2
HONG KONG Hang Seng	2,783.12	2,831.50	1,618.80
ITALY Banca Comm.	719.14	720.12	688.86
NETHERLANDS ANP CBS			
Gen	277.70	276.80	261.3
Ind	252.60	254.70	246.8
NORWAY Oslo SE	(uch)	418.58	356.51
SINGAPORE Straits Times	1,082.16	1,079.90	607.76
SOUTH AFRICA JSE			
Golds	—	1,957.00	1,262.3
Industrials	—	1,700.00	1,165.3
SPAIN Madrid SE	234.75	225.02	156.53
SWEDEN J & P	2,571.74	2,575.44	2,064.73
SWITZERLAND Swiss Bank Ind	589.60	591.50	584.1
WORLD MS Cap. Int'l March 25	436.4	437.0	301.3

COMMODITIES (London)

	March 26	Prev
Silver (spot)	363.90p	368.65p
Copper (cash)	£944.00	£928.50
Coffee (September)	£1,277.00	£1,285.00
Oil (Brent)	$18.45	$18.425

GOLD ($/oz)

	March 26	Prev
London	$411.75	$413.75
Zürich	$411.75	$413.95
Paris (fixing)	$410.84	$417.78
Luxembourg	$411.45	$413.50
New York (April)	$411.70	$413.30

CURRENCIES (London)

	US DOLLAR Mar 26	US DOLLAR Previous	STERLING Mar 26	STERLING Previous
$	—	—	1.6060	1.6070
DM	1.8275	1.8265	2.935	2.936
Yen	149.10	149.10	239.5	239.5
FFr	6.0825	6.075	9.77	9.7625
SFr	1.5265	1.5240	2.45	2.45
Fl	2.0640	2.0625	3.315	3.315
Lira	1,303	1,299	2,092.5	2,087.5
BFr	37.85	37.85	60.80	60.85
C$	1.3085	1.3110	2.0990	2.1075

INTEREST RATES

	Mar 26	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9[illegible]
SFr	3[illegible]	4
DM	3[illegible]	4
FFr	8[illegible]	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6⅜	6⅜
6-month US$	6½	6½
US Fed Funds	6[illegible]*	6[illegible]
US3-month CDs	6.05*	6.375
US3-month T-bills	5.565*	5.73

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar 26				
June	100-19	100-24	100-13	100-09
US Treasury Bills (IMM) $1m points of 100%				
June	94.42	94.45	94.39	94.41
Certificates of Deposit (IMM) $1m points of 100%				
March	—	—	—	93.97
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.48	93.50	93.47	93.48
20-year Notional Gilt £50,000 32nds of 100%				
March	125-14	125-00	124-18	125-10

US BONDS

Treasury

	March 26 Price	March 26 Yield	Prev Price	Prev Yield
6⅝ 1989	99[illegible]	6.426	99[illegible]	6.46
7⅛ 1993	99[illegible]	7.041	99[illegible]	7.07
7⅜ 1996	100[illegible]	7.224	99[illegible]	7.251
7½ 2016	99[illegible]	7.559	99[illegible]	7.578

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index March 26	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	March 26 Price	March 26 Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	94.23	5.85	94.082	5.90
SCBT South Central 10⅞ Jan 1993	105.25	9.70	105.125	9.73
Phibro Sal 8 April 1996	99.75	8.04	99.50	8.08
TRW 8⅜ March 1996	103.625	8.17	103.50	8.19
Arco 9⅜ March 2016	113.0	8.64	112.75	8.67
General Motors 8⅛ April 2016	94.125	8.68	94.0	8.70
Citicorp 9⅜ March 2016	101.25	9.25	101.0	9.27

Source: Salomon Brothers

* Latest available figures

ASIA

Large capitals fuel Nikkei rise

TOKYO

FRESH INTEREST in large-capital stocks and issues connected with domestic demand and AIDS kept equities higher in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

But enthusiasm waned in late trading, reflecting continued concern at high price levels.

The Nikkei average added 85.82 to 21,558.79. Turnover stayed high at 1.51bn shares, up from the previous day's 1.48bn. Advances almost matched declines by 453 to 452, with 124 issues unchanged.

Large-capital steels and shipbuildings attracted the bulk of trading activity although early gains were undercut later. Nippon Steel headed the active stock list, with 210.67m shares traded, firming Y4 to Y382 after moving in a range of Y390 to Y373. Nippon Kokan, second-busiest with 130.21m, Y8 to Y282.

Traders said the firmness was largely due to demand from speculators anticipating that these stocks would continue to gain on institutional buying after the start of trading for April settlement, which begins today.

Some stocks related to AIDS spurted on speculative buying sparked by news that the state-run Yamaguchi University and Asahi Chemical, a major synthetic fibre manufacturer, had developed a new filter capable of separating the AIDS virus from blood.

Asahi Chemical ended up Y27 at Y905 after jumping Y54 earlier on heavy volume for 17.03m shares.

Stimulated by Asahi Chemical's strength, Ajinomoto surged Y80 to Y3,540, Toyojozo Y70 to Y1,300 and Nissin Food Products Y80 to Y4,350.

Conversely, Yamanouchi Pharmaceutical shed Y140 to Y3,980, Green Cross Y100 to Y2,850 and Sankyo Y50 to Y1,670 on profit-taking.

Strong hopes for greater government spending on public works projects helped major contractors move up. Taisei Corp firmed Y40 to Y1,100, Ohbayashi Corp Y40 to Y1,140 and Kumagai Gumi Y30 to Y1,330.

Some shipping stocks were also bought on investor appraisal of a moderate rebound on the shipping market. Nippon Yusen stiffened Y21 to Y661 and Kawasaki Kisen Y12 to Y247.

Small-lot buy orders went to popular internationals on a pause in the yen's appreciation against the dollar, which has been making Japanese products more expensive abroad. TDK rallied Y120 to Y3,280, Sony Y50 to Y3,130 and NEC Corp Y10 to Y1,610.

Bonds continued wild movements. The yield on the benchmark 5.1 per cent government bond due in June 1996 fell from 4.350 to 4.345 per cent in early trading. But it closed at 4.400 per cent in block trading on the Tokyo Stock Exchange on selling by banks after the Bank of Japan governor, Mr Satoshi Sumita, expressed concern about speculative assets management by financial institutions.

The yield later rose to 4.430 per cent in inter-dealer trading involving banks and securities companies.

AUSTRALIA

ANOTHER surge of foreign demand lifted gold shares sharply in Sydney and took the All Ordinaries index to its sixth record running, up 10.4 at 1,690.1, in heavy turnover of 300.53m shares.

The gold index climbed 83.2 to 2,605.2 despite the slight drop in New York and Hong Kong bullion prices. BHP Gold Mines rights again topped actives with 70.75m changing hands, mainly in Melbourne, and a rise of 6 cents to A$1.30.

Resources group BHP gained 15 cents to A$11.00 in heavy turnover amid expectations it will report lower nine months profits today.

HONG KONG

DOMESTIC selling increased in Hong Kong, pushing shares down sharply in the absence of foreign investors. Trading activity dropped to HK$759.99M worth of shares from HK$1.2bn on Wednesday.

The Hang Seng index fell back 48.38 to 2,783.12 after losing strength throughout the day, while the Hong Kong index shed 30.71 to 1,792.28.

Trading and property group Swire Pacific "A" shares lost 30 cents to HK$23.30 despite the group's 46 per cent rise in earnings last year.

Among utilities, HK-TVB was off 20 cents at HK$13.00 after its profits and sales increase. China Light and Power fell 30 cents to HK$22.30 and Hongkong Electric 20 cents to HK$13.90.

SINGAPORE

AN ATTEMPT to continue the buying momentum of Wednesday faltered in Singapore when late profit-taking set in for a mixed close. The Straits Times industrial index finished 2.26 higher at 1,082.16, only marginally below the peak of 1,082.89 reached on March 10.

United Motor Works was again the top active with 2m shares exchanged and it finished up 5 cents at 78 cents. Overall market turnover rose to 36.4m shares from 32.3m on Wednesday.

SOUTH AFRICA

THE SOFTER gold price triggered a mild retreat in Johannesburg as profit-takers surfaced for some quick gains.

Randfontstein suffered one of the sharpest declines with a R20 drop to R420 while Free State Consolidated was R51.25.

Financials and other mines mirrored golds: Anglo American was 75 cents off at R67.75 while leading diamond group De Beers was R1.50 lower at R39.75. Rustenburg among platinums was R1 down at R45.

Industrials turned mixed with Barlow Rand 40 cents lower at R21.85 and pulp and paper group Sappie R1 ahead at R27.

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Financial Times Friday March 27 1987

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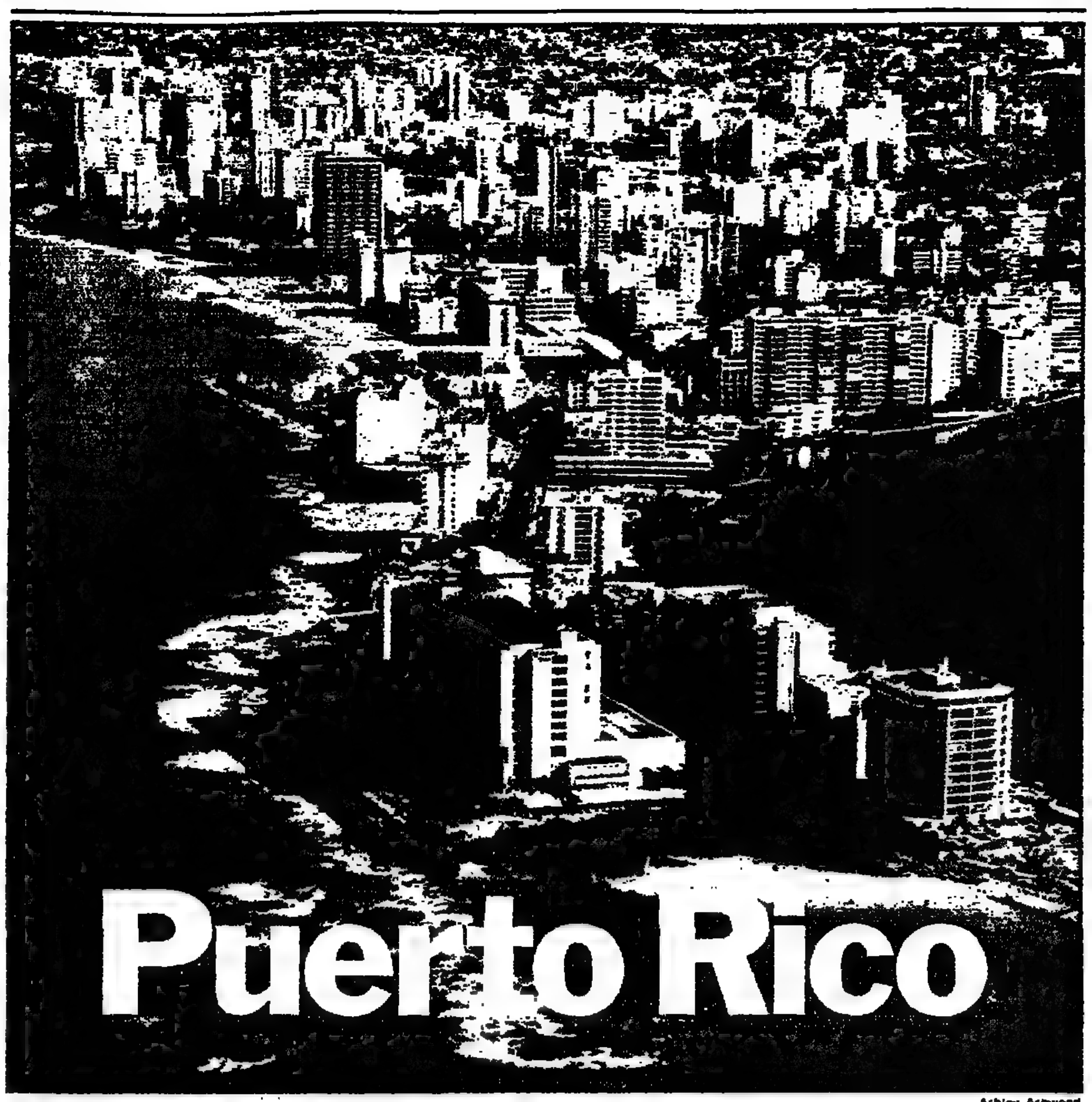
FINANCIAL TIMES SURVEY

Puerto Rico benefits in several ways from US protection. Free access to US markets and special tax exemptions have contributed to impressive growth. Nevertheless Puerto Ricans are uneasy about their dependence on the quasi-colonial relations with mainland US. **Robert Graham** reports.



San Juan, capital of Puerto Rico, dominated by the new tourist hotels

Ashley Ashwood

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A very special relationship

ONE OF the most successful recent business ventures in Puerto Rico has been the construction of a vast covered shopping mall, strategically placed between the old Spanish colonial fortified town of San Juan and the city's new skyscraper business district.

Called La Plaza de Las Americas, suggesting a symbiosis between Puerto Rico's Hispanic roots and mainland America, it nevertheless contains everything found in a prosperous American city. Amid all the names of prominent US department stores and the imports from around the globe, about the only thing Puerto Rican is an art show and the shoppers.

Most days there are queues just to enter the parking lots and over 60,000 shoppers have availed themselves of a special credit card for exclusive use in the mall.

The Plaza de Las Americas exemplifies the modern consumer society that has evolved in Puerto Rico in less than 40 years of rapid economic development. It belies the image of Puerto Rican poverty familiar in the big US cities and exported abroad.

Puerto Rico has ceased to be a low wage economy. Nor is it a small one with a $9bn budget and a trading volume approaching $22bn this year. The kind of goods produced in the early phase of industrialisation—textiles and garments—have been displaced by cheaper Far East production. Instead the island has moved into high-tech industries of electronics and pharmaceuticals attracting all the major US names in the field.

Drive around the island (you can do it comfortably in a day) and the stages of Puerto Rico's evolution can be seen as easily as the levels in an archaeologists' trench. Most of the island's sugar refineries are idle. Sugar, once the mainstay of the economy, is being phased out, only retained as a form of socio-economic subsidy to rural workers.

On the south side of the island, at Punuellas, the huge rusting hulk of an oil refinery testifies to the collapse of an oil refining and petrochemicals industry, killed off by the oil price rises of the Seventies. But elsewhere on former tobacco plantations or reclaimed swamps are the brightly painted factories of the high-tech industries. Docked in San Juan's ever expanding harbour are a host of container vessels; and on any one day three or more large cruise liners are disgorging tourists on Caribbean tours.

More than one million cars are registered for a population of 3.2m; and per capita income is over $4,000. In an American context this is less than half the income of Mississippi, the poorest state in the union. Yet this comparison overstates the difference since the Puerto Rican workforce is largely bilingual and 20 per cent college educated.

In a regional context, although its health and education standards are rivalled by Cuba, and its income levels lower than Trinidad or the Dutch Antilles and the US Virgin Islands, Puerto Rico is far and away the best off all round.

Given the island's lack of resources, growth has been impressive. The large influx of private American capital has seen relatively few failures or fly-by-night operations. Job creation has begun to bring down the island's chronically high unemployment, which stands at 17 per cent, and there is now a net inflow of migration—Puerto Ricans returning from the mainland.

Perhaps the most negative feature in the island today is an exceptionally high crime rate and extensive drug abuse.

The fundamental reasons for this wellbeing lies in Puerto Rico's special relationship with the US citizenship; and since 1952 a "compact" has existed between Puerto Rico and Congress granting a form of Commonwealth status that permits self-government and a large degree of autonomy in local affairs.

Puerto Rico benefits from federal funds and enjoys special tax exemptions. Federal transfers are currently worth $3.7bn annually subsidising unemployment heavily. In addition, up to $1bn comes in the form of rebates of federal excise duties and there are federal guarantees for Puerto Rican Government borrowing.

Just as important, Congress, through section 936 of the Inland Revenue Code, has granted highly attractive tax privileges to US corporations with operations in Puerto Rico. The latter has been the principal catalyst behind investment.

Thus while no one would gainsay Puerto Rico's efforts to encourage investment and provide an educated pool of labour, prosperity and future development hinge on congressional attitudes to federal transfers and tax exemptions. This was uncomfortably demonstrated by the uncertainties during 1985 and 1986 while Puerto Rico lobbied hard—and in the end successfully—to retain the tax privileges of section 936. For all Puerto Rico's autonomy, the island remains in a quasi-colonial relationship with the US.

Puerto Ricans are US citizens but cannot choose the American President. They have fought in high numbers in both world wars, Korea and Vietnam, but only have a resident commissioner on Capitol Hill with no vote on final passages of law.

Puerto Rico is not a constituency for US politicians and the Governor of Puerto Rico does not have the same access as state governors to the President. In return, of course, Puerto Rico comes under the umbrella of US protection, has free access to US markets, and pays no federal taxes.

This situation produces a constant duality formally evidenced by the Stars and Stripes flying side by side with the Puerto Rican flag. Less formally this duality emerges in such everyday matters as the motorway having speed limits in miles per hour and the distances being given in kilometres.

Socially and culturally it manifests itself in bilingualism. Puerto Ricans speak English in business quite naturally; yet they prefer to express themselves in Spanish, reflecting their national identity and Hispanic roots. They refer to themselves as Puerto Ricans, not Americans.

Tune into any radio broadcast or politicians' speech and the word Puerto Rico resounds again and again, as if this nationhood somehow compensates for political emasculation and absence of sovereignty.

Emotionally, therefore, most Puerto Ricans are *independentistas* at heart. That the Puerto Rican electorate is dissatisfied with the status quo is borne out by voting figures. There are two main parties: the Popular Democratic Party (PPD), which supports a flexible interpretation of the existing commonwealth status; and the New Progressive Party (PNP), which advocates Puerto Rico becoming the 51st state in the union.

At the last election in 1984 the PPD won with 47 per cent of the vote. Yet if the PNP's 44 per cent is added to the 5 per cent obtained by the Independent Party (PIP), this suggests a majority is in favour of a change in the status quo—though disagreeing fundamentally on the nature of that change.

There is also a small violent fringe, active both on the mainland and in Puerto Rico which has been conducting a sporadic terrorist campaign against what it regards as the US imperial/colonial presence on the island. The activities of the extremists have reinforced a solid core of conservative opinion that backs away from proposing change. Thus in practice even when the PNP has been in power, little in practice has been done to promote the case for statehood.

The public has rarely been presented with the case for statehood or independence in objective and positive terms. On the contrary, statehood is feared because of the prospect of paying federal taxes and losing privileges; while when the

Continued on Page 8

The Economy

Why Section 936 is so important

IN LESS than 40 years, the Puerto Rican economy has gone through a remarkable metamorphosis. Having begun the industrialisation process as a low wage producer of traditional products like textiles and garments for the US economy, it has transformed into an attractive manufacturing base for high-tech industries like electronics and pharmaceuticals.

Because of tax breaks, Puerto Rico is still a low cost producer essentially geared to the US market and dependent upon the special privileges of its relationship with the US. But the Government is trying to diversify into new markets, especially the Caribbean, and attract new investment from Europe and the Far East.

This it is hoped will also combine with a push towards developing services which together could act as a buffer against potential changes in the high favourable tax legislation conceded the island by the US Congress.

A few crude figures underline the extent of the change. In 1950 per capita income was $278; it is now past $4,000 and the island's GDP is worth over $16bn. During the last 20 years, the island's total volume of trade has risen from $2.5bn to nearly $22bn.

The motor for this transformation has been the interplay of four elements—US federal funds; the linkage with the US economy; special tax legislation; and Puerto Rico's own determined effort to generate employment and educate a skilled modern labour force.

Puerto Ricans like to boast their only resource is people, and this is largely true. Measuring only 100 miles and 35 miles wide, Puerto Rico is roughly two- thirds the size of Jamaica but has one-third more people. With 3.2m inhabitants its population is the densest in the region.

A central mountain chain severely restricts the amount of land available for agriculture, while the high population density and environmental factors limit the potential space and nature of industrial development.

During Spanish colonial rule it was a plantation economy producing sugar, coffee and tobacco. With the advent of American rule in 1898, the economy was pushed towards a sugar monoculture with chronic unemployment, remaining like this until the end of the Second World War.

The beginnings of industrialisation coincided with moves to establish the more autonomous political relationship with the US plus Washington's realisation that special treatment was required to tackle unemployment, through stimulating private investment.

In 1947, the Industrial Incentive Act was passed providing a ten-year local tax holiday to businesses, which also could benefit from the non-payment of Federal corporate taxes. There was an abundance of cheap labour not subject to the same rigour as the mainland of the Fair Labour Standards Act (1938).

The mix of cheap labour and tax breaks plus the free entry of goods from Puerto Rico as "made in US" was the launching pad for what become known as "Operation Bootstrap." More than two decades of rapid growth followed averaging 7 per cent a year, lifting the economy out of underdevelopment.

Puerto Rico was grateful for whatever investment that came. The state development agency, Formento, played an important role as catalyst for this mainland investment, trying where possible to prevent "suitcase operations" that took advantage of the tax breaks, and left as quickly as possible.

The evolution was quick. In 1950, 37 new factories were registered, by 1960 the annual registration rate was 143 rising to over 200 by the end of the sixties.

Agricultural employment shrank between 1950 and 1970 from 214,000 persons to 68,000, and is now only 5 per cent of the labour force. There was during this period a trebling of industrial employment to over 130,000 nevertheless lack of job opportunity led to large scale exodus of some 700,000 Puerto Ricans to the mainland.

Being locked into the US economy, Puerto Rico was vulnerable both to any downturn of activity there and to changes of corporate strategy. Thus the recessionary effects of the sharp rise in oil prices in the seventies were keenly felt. Not only did growth slow but also a nascent petroleum refining and petrochemical industry was killed off.

At the same time wage costs were rising and a number of companies had completed their ten-year tax-free period, causing US manufacturers to remove their low wage labour intensive operations elsewhere. But for the transfer of large amounts of federal funds, Puerto Rico would have experienced during this period great hardship. From the first oil shock in 1973 to the second in 1979-80, US Federal transfers were worth over $11bn.

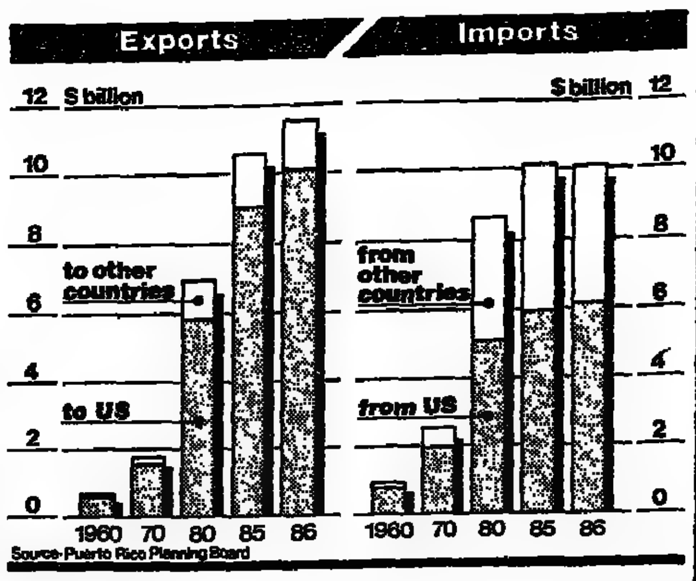
The present day economy is largely the result of the painful lessons learnt in the seventies. It was clear that in a society with aspirations to emulate mainland living standards and that had tasted development, the future could not be based on a low wage economy. Equally, the ten-year local tax holiday period had proved unsatisfactory soince US companies were obliged to repatriate their profits once this ended.

In the late seventies, Washington agreed to introduce a new section to the Inland Revenue Code—the now famous Section 936. This permitted US subsidiaries in Puerto Rico to repatriate profits, subject to a local tollgate tax, and the latter was geared to ensure that it was extremely attractive to retain profits on the islanda.

Section 936 is now a central pillar behind investment in Puerto Rico. A measure of its significance was demonstrated by the intense lobbying of the present Government of Governor Rafael Hernandez Colon, in 1985 and 1986 to ensure Congress did not alter its provisions.

Puerto Rican lobbyists pointed out that removal of Section 936 privileges would result in the direct loss of $80m a year in tollgate taxes, $240m in employees' income taxes, $50m in local taxes, and 15,000 jobs.

Beyond this, disappearance of Section 936 would seriously damage the longer-term investment attractions of the island and remove a substantial part of the banking systems' credit. Deposits of Section 936 funds in the commercial banks are worth over $7bn and if removed could raise interest rates to as much as four points above US prime.



Source: Puerto Rico Planning Board

Parallel with the maintenance of these special tax privileges has been a determined effort to produce a skilled labour force capable of working in high-tech industries—the essential next step up from the old labour-intensive industries. Heavy amounts of budget expenditure have been devoted to education over the past decade and now a solid pool of graduate, skilled and semi-skilled labour has been created. Significantly the burgeoning electronics and pharmaceutical industries rely very little on expatriate personnel.

The Hernandez Colon administration has further recognised that the Puerto Rican economy is far too dependent upon the US market. This absorbs 90 per cent of the island's $11.5bn exports and supplies over 60 per cent of the $10bn imports.

While accepting the US must continue to be the main market, the authorities want to diversify both towards the Caribbean and Latin America, and towards Europe. Instead of relying almost exclusively on US companies for investment it is seeking to attract capital from the Far East (notably Japan) and Europe.

Another initiative has been the move to establish "twin plants" in the Caribbean within the context of the US and Caribbean Basin Initiative. Under this scheme, Puerto Rico will be farming out the less sophisticated labour intense part of manufacture to low-wage Caribbean countries to be then finished on the island with a made in USA label. This in effect is what the US companies originally did with Puerto Rico under Operation Bootstrap.

The administration has also three other elements in its current strategy to generate jobs and stimulate growth:

- Encourage greater participation of Puerto Rican capital in projects, until now the main emphasis has been on mainland capital.
- Revive the much neglected agricultural sector with the promoton of agribusiness ventures.
- Expand tourism and develop Puerto Rico as a regional services centre with the attraction of a dollar economy whose stability is backed firmly by the US.

Underpinning of the economy by the US remains a key factor. Federal transfers last year were worth $3.7bn the bulk of this was in the form of transfers to individuals (like food stamps), which provide a continuing basis for domestic demand.

The Government also receives some $1bn annually in the form of rebates on Federal excise taxes and customs duty—principally from excise receipts. Just as important Federal guarantees for Puerto Rican debt permit the Government to run a $9bn debt and deficit finance the $9.8bn budget. Deficit financing was extensively used in the early 1980s to counter recessionary trends.

With the uncertainties over and the fate of Section 936 now out of the way, the latest surveys of business opinion are optimistic about growth and investment prospects. Real growth is expected to be between 3 and 4 per cent this year with an inflation rate marginally above the US mainland.

A new package of domestic tax incentives is also under discussion to encourage investment. Unemployment has fallen steadily over the past two years to 17 per cent. Although these figures disguise a parallel economy, the unemployment rate is nevertheless high and continues to represent the Government's major challenge.

Robert Graham

How Operation Bootstrap changed an impoverished island into a modern manufacturing centre

Democratic showcase

MOST OF the people of Puerto Rico live under wretched conditions. Their employment is generally seasonal, and their annual income is very low. . . many suffer from malnutrition. . . the people cannot properly feed, clothe or educate the many children they produce.

Such was the state of the commonwealth belonging to the richest nation in the world more than three decades ago, as described by a study published in 1950 by the University of Puerto Rico. Little noticed at the time were the industrialisation efforts begun two years previously.

"Operation Bootstrap" ultimately transformed the impoverished island into a politically stable, modern manufacturing centre with a large middle class and an ambitious programme for further development.

If, perhaps, the living standards do not match those of its mother country, neither do homeless roam and beg in large numbers in the city streets. A Puerto Rican university student, recently flying home from a visit to the States, pronounced herself amazed at the living conditions in Washington DC's ghettos.

"Even our poorest people have radios, colour televisions, telephones and cars," she said. "And in Puerto Rico, everybody can study."

While US Government welfare payments and programmes have helped raise the living standards of the island, the thrust behind the territory's transformation has been powered by a generous US tax treatment law, known now and treasured as Section 936 of the Internal Revenue Code. Under this provision, American companies can operate in Puerto Rico, essentially free of federal corporation and dividends taxes, even while they enjoy liberal tax treatment from the Puerto Rican Government.

The island's industrialisation programme was a bigger success than had ever been expected, according to Mr Gary Martin, an economic consultant to the resident commissioner of Puerto Rico in Washington. The real GNP increased at an annual rate of 5.3 per cent in the 1950s and 7 per cent in the 1960s.

By 1978, 534 US subsidiaries were operating more than 2,500 plants in Puerto Rico, according to a US Treasury report. Total assets reached $12bn and retained earnings amounted to $7.4bn.

The industrialisation replaced sugar production as the economy's foundation, accounting for an estimated 150,000 jobs on the island in 1985. US plants—and some foreign owned—produce a huge array of products, from women's undergarments to canned tuna to electronics and pharmaceuticals.

Foreign corporations, now being actively recruited, enjoy the same liberal tax treatment granted American companies by the Puerto Rican Government while gaining a duty-free entree into the US market for goods manufactured or assembled on the island. Profits from sales to the US mainland are subject to a local corporate tax rate of only 4.5 per cent during the first five years of operation. Profits from sales to non-US markets may be completely free from corporate income taxes for a 10-year period.

A tax study produced last year by Arthur Andersen and company for UK investors described the island as a near tax-free paradise. It concluded that except for the 4.5 per cent corporate tax, "a permanent deferral of all taxes can be achieved by not repatriating to the UK any of the Puerto Rico profits from base manufacturing operations, thus creating substantial capital from sales to the US market. Under British tax laws, profits from an active manufacturing business conducted in Puerto Rico are not subject to taxation unless repatriated to the UK. . .

"When properly structured, the British multinational company can use these unremitted profits to finance operations in Puerto Rico, the US, or other world markets at little or no additional taxes."

On the island, corporate net income is partially exempt from income and property taxes for various time periods and at varying rates, depending on where firms are located. The island has been divided into four industrial zones, based primarily on the degree of industrialisation and employment, as follows.

Zones	Development	Exemption years
1	High	10
2	Intermediate	15
3	Low	20
4	Little	25

About half of the industrial plants are in zone one, the San Juan Metropolitan area. The income-tax rises over the years from 4.5 per cent during the first five years of operation to 22.5 per cent after 21 to 25 years. At the expiration of the exemption, companies are offered the opportunity to apply for 10 years of additional partial exemption and apparently exemptions may be granted in other ways.

Westinghouse has been operating in Puerto Rico for 20 years. In order to extend the period of its tax exemptions, it started new paper companies every time it brought in new production lines.

"At one point, I was chairman of the board of 11 subsidiaries," said Mr Robert Burns, director of Caribbean operations for Westinghouse. Three years ago, he said, the company renegotiated its exemptions and consolidated many of its subsidiaries.

The island's maximum withholding (tollgate) tax on profits repatriated to parent companies is 10 per cent. That amount may be reduced to 5 per cent or eliminated completely by reinvesting a portion of the profits in Puerto Rican banks, industries or government bonds.

An estimated $14bn from company profits held on the island are being put to use for further development. About $11.7bn is held by commercial banks, which invest about 30 per cent of that in the local economy. About $2bn is in mortgage certificates, helping to finance the current construction boom.

Some of the finds are being channelled to the Government Development Bank, which has launched a programme to help promote the establishment or expansion of "twin plants," in Puerto Rico and its Caribbean neighbours. From its swelling coffers, the government bank is offering favourable interest rates and other incentives to finance or expand operations in Puerto Rico.

The firms, in turn, invest their own resources in complementary plants in Caribbean countries offering the advantage of low-wage workers

Vital as tax incentives have been to Puerto Rico's development, they have long been observed by many in Washington with a jealous and disapproving eye. Efforts over the years "to close the loophole" have periodically generated clouds of investment uncertainty.

The tax system came under threat when Congress embarked on tax reform in 1976. The outcome, however, was an even more generous treatment—that which is essentially in place today. A period of relative peace on the tax front followed, and Puerto Rican manufacturing employment climbed to an all-time high of 159,000 in 1979.

Still, threats to Section 936 resurfaced again in 1982 and last year with the most recent efforts at tax reform, but the provision survived with some modifications. For whenever the US Congress deigns to notice its Caribbean territory, it comes face to face with some hard facts.

The millions it must pay each year for welfare, Education, Highway programmes and so forth would simply multiply if the main impetus to job creation is lost to an economy already burdened with a 17 per cent unemployment rate and rising crime.

Even worse, immigration to the mainland would rise at a time when Mexican and Central American refugees are already pouring across the borders. As long as the territory is the American "showcase for democracy" in the Caribbean, and the need for Section 936 is apparent, it will have a strong club to fight off raids on Section 936.

Nancy Dunne

High-tech industries such as electronics and pharmaceuticals are prominent in the manufacturing base of Puerto Rico. Above: capsule filling at the SmithKline facility in Carolina and (right) calibrating in Daystrom-Weston's plant in Ponce

Banks look for expansion in the Caribbean

Strong presence by foreign banks

THE PUERTO RICAN banking system is by far the largest in the Caribbean that is not dealing with offshore business. It has traditionally serviced the needs of the Puerto Rican economy alone but recently has begun to look towards developing wider links with the Caribbean in the light of Puerto Rican moves to create "twin plant" industrial operations in the region.

Although some local bankers like to talk of Puerto Rico becoming more of a regional financial services centre, competition is strong. In the short term at least, inroads into the central role of Miami or that of Caribbean off-shore financial centres seems unlikely.

There are currently 18 commercial banks in a system with assets totalling $19bn. Of this over 60 per cent is accounted for by foreign banks or local branch operations of foreign banks. The foreign banks dominated by Chase and Citibank, the former having been present since the thirties. Royal Bank of Canada and Bank of Nova Scotia also account for a significant Canadian presence.

With the exception of three Spanish banks (Central, Santander and Vizcaya) no European banks have Puerto Rican operations. The nature of the foreign bank presence has been determined by the strong US orientation of the Puerto Rican economy and by the fact that Spanish banks came to the island in the Seventies, primarily as a means of acquiring access to dollar deposits and the US market when there was no reciprocity for Spanish banks in the US.

Of the Puerto Rican banks the two largest are Banco de Ponce and Popular. Popular traces its origins back to 1893, and is still controlled by the Carrion family which holds 20 per cent of the stocks.

In addition to the Government Development Bank, which plays an important role in the financial system with assets of over $4.6bn the GDB serves as fiscal agents investment banker financial adviser and direct lender to the Government, municipalities and public corporations.

The GDB is an essential tool of the island's development, acting as an intermediary between the external capital markets and the domestic markets. The GDB is active both in re-financing existing state debts that total $8.9bn and in issuing bonds to cover budget and local government needs. In a new capacity, the GDB can also provide finance for twin plant investments outside the islands within the Caribbean.

Completing the financial system are a number of savings and loans associations with assets of $5.5bn. Also present are some of the leading US brokerage houses, handling some $2bn worth of funds. The basic expansion of banking business occurred in the late seventies once the revised tax law—Section 936 of the Inland Revenue Code—came into force. "Until Section 936 came into force," says Mr Hector Ledesma, Vice President of Popular, "credit was very tight and this meant that interest rates here were 3 to 4 points above the US prime rate. Now interest rates are only half or one point above prime."

Banking and Insurance

$m	1983	1984	1985
Commercial Banks and Trust Companies			
Offices in Puerto Rico	274	315	331
Assets	14864	16137	17374
Loans	7048	8599	9619
Deposits	12355	13138	15195
Government Development Bank Assets	3016	3911	4272
Loans to Private Borrowers	123	144	165
Loans to Public Borrowers	899	1024	973
Savings and Loan Association Savings	2151	2392	2675
Personal Loan Companies			
Loans Portfolio	322	412	513

US companies operating in Puerto Rico retain their profits tax free. The amount of profits generated by some 650 companies, operating under this section now totals some $4bn a year. These so-called 936 funds are a vital component in the credit system. Approximately 44 per cent of commercial bank deposits are accounted for by these funds.

The impact can be seen in the rapid expansion of deposits from $2.5bn in 1970 to $8.6bn by the end of the decade. Deposits now stand at over $17bn. Chase and Citibank have traditionally captured the bulk of these funds, at one stage holding up to 55 per cent or more. However, this percentage has begun to drop as other banks have become more aggressive and US companies have diversified, in particular to local banks.

The Government obliges banks to place 10 per cent of their 936 funds, at its disposal and a further 20 per cent must be invested in government-approved investments, essentially the purchase of local bonds. One drawback of these 936 funds, is that they are on a 90 to 180 day basis, which means that banks must be careful not to mismatch their lending.

Total commercial bank loans are worth $8.7bn. In a highly consumer orientated society banks have gone after both wholesale and retail business. The foreign banks have tended to concentrate on the wholesale end while the local banks go for retail business. However competition has led to the island being very heavily banked.

The number of branches has grown since 1980 from 250 to more than 320. Some bankers now feel that the island has become over banked and after such rapid growth the industry is now heading for a period of consolidation.

Much will depend on the pace on which the island can attract new high technology industries and the expansion of the services sector. It is also obvious that any change lessening the tax attractiveness of Section 936 could have an immediate impact on credit in the banking sector as a whole.

One potential area of growth in banking relates to the development of twin plants on other Caribbean islands. Banks are also anxious to attract non-US investment either from Europe or Japan. The search for growth has led a number of the leading foreign banks to examine offshore possibilities.

Citibank considered using Puerto Rico as a regional treasury centre for Latin America but shelved the idea two years ago. Recently, Citibank has begun to re-examine offshore possibilities but on a more limited basis.

Against these uncertainties of where future growth lies everyone is agreed that Puerto Rico possesses an exceptionally good infrastructure both of banking skills and communications. Bilingualism, plus all the security of the dollar area and the US Federal Reserve Board, suggest that its potential is underutilised.

Robert Graham

Twin plants

Caribbean links

"SOME Puerto Ricans consider themselves as part of the Caribbean, but we are so close, yet so far away," says Mr Antonio Colorado, head of the island's economic development administration. "Puerto Rico has never before looked seriously at the Caribbean."

The island's history and its current political status never encouraged it to deal with its neighbours. Political, economic and cultural links have been concentrated on Europe and then the US. There have, however, been efforts to change this.

"When Luis Munoz Marin was Governor of Puerto Rico, he made frequent contact with several Caribbean and Central American political leaders," said Mr Francisco de Jesus Schuck, a legal adviser to Governor Rafael Hernandez Colon. But these efforts did not have a lasting effect on relationships with the rest of the region.

There are now indications of a much more fundamental change. Governor Hernandez Colon has spoken of his intention to recover ". . . the leadership role that Luis Munoz Marin conferred on Puerto Rico in support of democracy in Latin America and the Caribbean."

Ironically, the new effort to embrace neighbours began as a Puerto Rican move to protect a major pillar of its economy. Increasing pressure from legislators in Washington to change provisions under which companies investing in the island enjoyed generous tax breaks were taken by the island's administration as a threat to the manufacturing sector on which the economy rests.

The Puerto Rican administration proposed using 10 per cent of the $8bn deposited by mainland companies in the island under section 936 of US tax regulations, to assist the Reagan Administration's Caribbean Basin Initiative. The initiative is a 12-year programme, implemented January 1984, under which some countries designated by Washington are allowed to ship a range of products to the US, free of duty.

Central to the Puerto Rican proposal is a production sharing scheme in "twin plants." The low-technology, labour-intensive part of the production of a particular item is done in a twin plant located in a neighbouring island, with the high-technology, capital intensive finishing being done in Puerto Rico.

In the event, the Puerto Rican administration succeeded in keeping section 936 intact, but for a few minor changes. By then, however, Puerto Rican industry realised that in addition to the political value of the twin-plant proposals in protecting the tax legislation, they also had an important economic value.

Although production costs in Puerto Rico are below those on the US mainland, the island was fast losing its competitive edge to other countries, such as those in the Far East. Several companies located in Puerto Rico, and the island's administration, concluded that one way to maintain an advantage was through twin-planting.

"In Puerto Rico total labour costs run to $8 per hour. This is about a half of what it is domestically," says Mr Robert Burns, director of Caribbean basin operations for Westinghouse de Puerto Rico. The company has four twin plants in the Dominican Republic. "Our twin plants take advantage of lower labour costs in the Dominican Republic. With the blended labour costs of our Puerto Rican and Dominican operations at $2.18 per hour.

"The Puerto Rican administration supports twin planting because it offers long-term protection for Puerto Rican jobs and for the legislaton on tax exemptions."

Mr Colorado sees the development of the twin-plant programme mutually benefiting Puerto Rico and its neighbours. "The programme is helping Caribbean countries to expand to their advantage and to ours. The other countries do not have the infrastructure and the financing, and they do not know the market, but they have the labour."

Under the economic development administration, companies based in Puerto Rico have already spent $26m establishing 35 twin-plants in neighbouring countries.

Of these plants, 22 are in the Dominican Republic, six in Haiti and the others spread between Barbados, Panama, Grenada and Trinidad. In assuring 5,500 jobs in Puerto Rico, the plants have created 8,000 in the other countries.

"Industry goes where it wants to go," says Mr Colorado, explaining the clear preference for the Dominican Republic. "They go there because it is close to Puerto Rico and transportation costs are lower."

Mr Burns explains that the Dominican Republic is 45 minutes by air and 18 hours by sea from Puerto Rico.

Some businessmen, however, are reluctant to jump into twin-plant projects, despite admitting possible benefits. There is in Puerto Rico latent concern about the political stability of many Caribbean countries, and about militant trade unions.

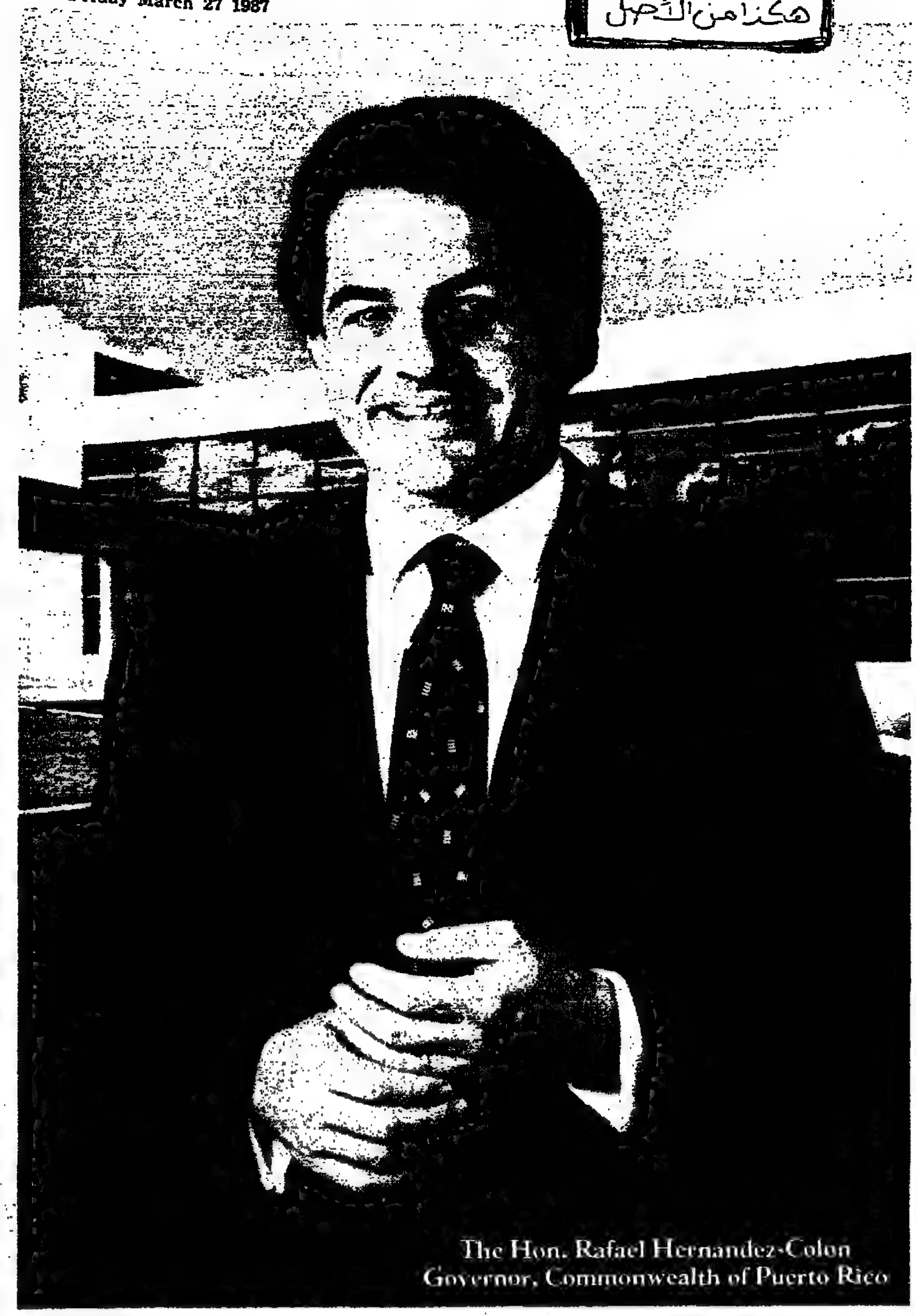
"Puerto Rican business is not keen on the Caribbean," says Miss Heidie Calero, vice-president of the Puerto Rican office of Salomon Brothers. "Puerto Rican business will go to the Caribbean only if it is forced to do so by a threat to the survival of plants and industry."

There is also a fear by some businessmen that the establishment of twin plants means the migration of jobs from Puerto Rico, Mr Burns explains.

The Puerto Rican government is using the twin-plant programme to support its efforts to tap the investment market in Europe and Japan. Companies which have a market in the US are beng encouraged to consider production-sharing projects.

The programme is likely to expand rapidly. "About 80 twin plant projects are being considered," reported Mr Colorado. "If only a half of these are implemented, it could mean 10,000 jobs in other Caribbean countries and 4,000 in Puerto Rico."

Canute James



The Hon. Rafael Hernandez-Colon
Governor, Commonwealth of Puerto Rico

"The climate is right."

The administration of Governor Hernández-Colón is charging up American business with its entrepreneurial economics. A graduate of Johns Hopkins before his 20th birthday, President of the Commonwealth Senate and of his own Popular Democratic Party by the age of 32, Hernández-Colón has launched a no-nonsense, streamlined program that is further strengthening Puerto Rico's stable American democracy and one of the highest standards of living in Latin America.

"Our new programs have a simple objective: to make it faster, easier, and more attractive for American, international, and local companies to expand production facilities in Puerto Rico.

"With President Reagan's Caribbean Basin Initiative stirring capital investment in our region, the spotlight is on Puerto Rico and our high-technology work force. Complementary projects are already paying off for our region. During the past eleven months we have generated new investments in twin plants of almost $25 million."

"Put simply, the people of Puerto Rico are skilled to do the job, and to manage it. In fact, 94% of the top positions in the 874 American and international plants on the island are held by native Puerto Ricans, responsible for over $9 billion in facility investments.

"So, consider all the facts—our generous tax exemptions, our readily available industrial facilities and low rentals, and our beautiful Caribbean environment. Then come talk with our people to find out why the leading companies in the world are thriving in Puerto Rico."

A manufacturing labor force comparable in motivation and productivity to the best of the mainland U.S.

The workers of Puerto Rico are young and very able—more than half have completed 12 or more years of education. Many have been trained, at government cost, to specialize in the most diverse industrial assignments—from apparel to high technology. This potential is being tapped right now, very profitably, by the best-known names in industry, including over 100 of the FORTUNE 500.

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Puerto Rico

Politics/Separatism

An ambiguous status

THE WORD "status" has a special meaning in Puerto Rico. It is the central word in the political vocabulary and refers to the island's unique constitutional relationship with the US. Scarcely a day goes by without mention of status in the press. Yet curiously while status dominates political debate and is the issue on which the parties define themselves very little has changed in recent years.

The basic constitutional arrangement was introduced in July 1950 by the US Congress—Public Law 600. This authorised the Puerto Rican people to organise a government with constitution of their adoption, effective once approved by referendum and endorsed by Congress. A constitution was eventually approved in 1952 in a referendum (375,000 in favour and 83,000 against).

The document referred in Spanish to Puerto Rico as an "Estado Libre Associado" which no one has been able to define adequately in English although the word "Commonwealth" was used.

This Commonwealth is not a state in the usual sense nor is it properly a US territory or possession. The ambiguity was deliberate on the part of Mr Luis Munoz Marin, the man who became the first Governor and the effective godfather of modern Puerto Rico. The status achieved was a vague halfway house within which Puerto Rico could manoeuvre either towards statehood with the Union or independence.

It is this ambiguity which fosters political divisions within the island and is the basis of party platforms. The current party in power is the Popular Democratic Party (PPD), founded by Mr Munoz Marin, whose political heir, the Governor Mr Rafael Hernandez-Colon, claims to be.

The PPD defends the existing Commonwealth status as by far the best deal Puerto Rico could hope to get—it provides a degree of autonomy with all the benefits of being linked to the US, including Federal funds. The Governor himself believes the arrangement offers sufficient flexibility to evolve, yet guarantees political stability and economic growth.

Since 1968, the PPD has alternated in power with the other main party, the New Progressive Party (PNP). The PNP advocates statehood with Puerto Rico the 51st state in the Union, but when in office has done remarkably little to work towards this end, conscious that the issue could go against it (what Puerto Rican wants to pay federal taxes?).

Instead the party has preferred to concentrate more on purely local issues to sustain itself in power. Indeed in the last general election of 1984 the PNP and the incumbent Governor Mr Carlos Romero Barcelo were voted out as much for their handling of a murky incident back in 1978 when undercover agents shot two pro-independence youths.

Election results have traditionally been very close between the two parties. For instance in the vote for the governorship in 1984 Mr Hernandez-Colon obtained 47.75 per cent of the vote having lost in 1980 with 47 per cent; while Mr Romero Barcelo won in 1980 with 47.2 per cent of the vote, then lost two years ago with 44.6 per cent of the vote.

This closeness is reflected both in the voting for senatorial seats and in municipal elections throughout the island. Thus if a vote on status were to follow party lines there would be no clear majority and certainly not an absolute majority.

The Puerto Rican Independence Party (PIP) is the principal supporter of the independence option. Its leader, Mr Ruben Berrios Martinez, a Yale and Oxford educated lawyer, holds the party's one senatorial seat. The party only mustered 5 per cent of the vote.

Mr Berrios claims with justification that the emotional commitment to independence is widespread in Puerto Rico but that people are afraid to press for this option—largely out of fear of leaving the umbilical cord of the US being cut loose to drift in the unpredictable water of the Caribbean.

The PIP does not advocate an immediate severing of the US link rather a long transition during which the US would be morally obliged to support Puerto Rico for the use it has obtained from the island over the years.

As a party of the left the PIP proposals are frequently smeared by reference to the fate of Cuba. It also suffers from the image of violent nationalism associated with extremist groups. Nationalist feeling has been very strong at times.

In 1950 a nationalist movement led by Mr Pedro Albizu Campos mounted an abortive uprising that left 32 dead. The nationalists in the same year also carried out an unsuccessful attempt on the life of President Truman. This led to a heavy crackdown on the nationalist movement and its argument—that the US kept the island in an abject colonial relationship—was discredited.

The upshot of the reprisals against the nationalist movement was the fostering of the seeds of a small but determined guerrilla movement dedicated to acts of sabotage and terror, the Maceteros. The latter claimed the responsibility for the spectacular blowing up of nine National Guard aircraft on the island in 1981, and since then the Maceteros have carried out sporadic acts of violence, mainly directed at the US military presence on the island.

On the mainland, another group, the Armed Forces of Puerto Rican National Liberation (FALN), have been active since the early Seventies, and have been identified with planting more than 100 bombs and five killings (the most active terrorist group in the US).

The other aspect to the status issue is the attitude of the Washington establishment. Until the mid-thirties, Puerto Rico was run as part of the War Department and in particular by the US Navy, whose facility at Roosevelt Roads was of enormous strategic importance for controlling the Caribbean and access to the Panama Canal.

During World War Two, it was large enough to permit a fall-back plan to harbour the British fleet.

Although the strategic importance of Roosevelt Roads has lessened, the American military are anxious to retain the facility. More generally, the US Administration is anxious to ensure that Puerto Rico remains a stable and prosperous ally. This vagueness is partially because Congress has never been forced to define its position on status. However, Congress has made it clear that if the issue of status was seriously raised they would only accept a change if there was a very substantial majority in favour, perhaps over 90 per cent.

Congress seems quite happy with the present arrangement whereby Puerto Rico has a resident commissioner with a seat in the House of Representatives but no vote on final passages of law.

Robert Graham

Profile: Rafael Hernandez-Colon

Democrat at heart

"WHEN I leave politics I hope I will be able to say that I have taken Puerto Rico and Puerto Ricans to a higher level—not only in economic terms, not only in the development of infrastructure—but in improving the quality of life, improving the way Puerto Ricans look at themselves and the way they relate to each other."

Until then, however, Mr Rafael Hernandez-Colon, the Governor of Puerto Rico, is concentrating on the more immediate task of the economic development of the island. Now midway in a second term as Governor—the first ended in 1976—Mr Hernandez-Colon is claiming more than limited success in what he had set out to do. He has benefited from the experience gained in his previous term, which he started when he was 36.

It is only now, however, that the Governor appears to be succeeding in efforts to lift Puerto Rico out of its political and economic isolation, developing relations with its Caribbean neighbours and seeking economic ties with Europe and Japan.

"The governor is a new breed of Puerto Rican politician," says Mr Francisco de Jesus Schuck, legal adviser to Mr Hernandez-Colon. "He is not a prisoner of the past."

His political and economic views are based on the pragmatic, and not conditioned by preconceived ideological positions. His mainland political affiliation is with the Democrats. Feeling that the Contadora process in Central America should be pursued, he thinks the US should reappraise its policy in the region—Contadora is an effort by central American countries to bring about diplomatic settlement of the civil war in Nicaragua.

"The strongest political influence on my life has been Munoz Marin," says Mr Hernandez-Colon. It was Mr Munoz Marin, a former governor, who saw Puerto Rico taking a leading role in Central American and Caribbean politics. "Much of my economic thinking stems from my experience in government, and in dealing with economists over the years," says Governor Hernandez-Colon, adding that Mr Walt Rostow, the American economist, and Mr Karl Gunnar Myrdal, the Swedish political economist, have been influential.

Mr Hernandez-Colon's experience in government has been significant. He will be 50 in October, and his rise to prominence in the island's political life was given a fillip when he was appointed Puerto Rico's Attorney General at the age of 29. Before that, after graduating from Johns Hopkins University and completing a degree in law from the University of Puerto Rico, Mr Hernandez-Colon went into private legal practice and also lectured at the Catholic University.

A three-year stint as Senate President preceded his election as Governor in 1972 as the candidate of the Popular Democratic Party which advocates continuation of the island's commonwealth status.

"My most significant achievement since taking office has been to bring unemployment down from 23 per cent to 17 per cent," the Governor says. "My administration has also been successful in stimulating a resurgency in the Puerto Rican economy and getting a rate of growth above 4 per cent per year."

Mr Hernandez-Colon also sees his administration's successful defence in Washington of tax regulations which have lured companies to the island, and the development of production sharing arrangements with neighbouring countries as achievements in the first half of his term.

He says crime in the island is his most serious challenge over the next two years. "I would like to not only prevent the incidence of crime from rising but I would also like to reduce the crime rate."

Canute James

Top left: Mr Rafael Hernandez-Colon, Governor of the Commonwealth of Puerto Rico; left, students at a $6m electronics industry training centre. The Government invests nearly one third of annual operating budgets of education.

Labour relations/wages

Union strength is sapped

A BLAST, like a hand grenade, gave the first warning of disaster last New Year's Eve at Puerto Rico's Dupont Plaza Hotel. Soon firefighters were battling a blaze which took 96 lives and left 100 injured.

The flames also exposed the myth that all is quiescent in labour relations among the workers of Puerto Rico. Two weeks after the fire, two members of local 901 of the international brotherhood of Teamsters were arrested and charged with 96 counts of murder and arson.

The two, said Mr Jose Cadiz, the local Teamsters secretary-treasurer, had been smoking marijuana and had decided to start a small fire in the empty hotel ballroom. They had grievances to express with the hotel management, which that same day had rejected a proposed settlement and had insisted on subcontracting out some work to non-union labour.

Small acts of sabotage are a tradition in Puerto Rico when labour/management relations turn sour. In fact, the workers, when charged, said they had not expected the fire to spread and had not wanted to hurt anyone.

"Relations are usually very good," says a longtime observer of the Puerto Rican labour unions. "But when pushed, they can flare from an armed truce to out and out hot war."

Mr Cadiz rejects any union responsibility for the wrongdoing and says the Teamsters will not help the men with their legal defence because they have admitted to a grievous wrong.

Women are now carrying out exacting quality control skills in products as diversified as flying disc heads, high density recording units and navigation sensors to US government specifications

The union tries to avoid trouble, he says, because strikes are expensive. In fact, the Teamsters has had only one strike in the last six years. A former security guard and laundry worker at the Dupont Plaza himself, Mr Cadiz says he urges responsible work habits on his members, while getting them job security, pensions and more than the minimum wage they would otherwise be paid.

"I make sure they are not worked like slaves," he says.

As it happens, Puerto Rican labour is not likely to be overworked. The Government has long played a protective role with its workers, only partly to discourage the need for unions. Strict laws define the work week at 40 hours and require time and a half for overtime. Employees receive more vacation time and sick leave than do comparable workers on the US mainland.

Employees may not be dismissed without just cause—maternity leave is guaranteed by laws as are Christmas bonuses of 2 per cent of wages up to a maximum of $10,000.

While Puerto Rican wages are lower than those paid in the US, workers earn much more than in the Third World. Electronics workers, for example, in 1985, averaged $5.26 per hour, compared with their opposites in the US who made $9.56 an hour. At the same time, electronics workers in Taiwan made $1.21 an hour—in Korea, $1.03 an hour—in India, $0.46 an hour.

Between the Government's paternalistic stance towards its workers and the traditionally high unemployment rate, the island's union movement is at low ebb. Only 11 per cent of the workers are unionised, compared with 18 per cent on the US mainland and 24 per cent in Puerto Rico in the early 1970's.

According to the most recent statistics from the Department of Labour and Human Resources, the number of private sector strikes declined from 54 in fiscal 1975 to 10 in fiscal 1986. The number of workers involved in private sector strikes declined from about 13,600 in fiscal 1975 to a little more than 1,000 in fiscal 1986.

Union strength has also been sapped by the departure of many manufacturing businesses in search of cheaper manpower and the financial woes of the once-thriving petrochemical sector.

Mr Cadiz has been busily trying to organise among the new businesses. Since early last year, he has added 10 new shops, including a Ford dealer, a credit company and a car rental agency. But membership is barely holding steady at 5,000-6,000.

The Puerto Rican workforce numbers almost one million. At least 17 per cent are unemployed and thousands more are "discouraged workers," who have given up looking for jobs. In 1984-85, one out of every 3.5 workers were underemployed, working fewer than 35 hours a week.

The AFL-CIO has close to 60,000 members, including 10,000 teachers. More would join up, says Mr Paul Sanchez, assistant director of region 7, but for management-delaying tactics, permitted by the US National Labour Relations Board (NLRB), which is dominated by anti-union Reagan Administration appointees.

Mr Sanchez sees little progress for unionisation in Puerto Rico unless there is a change in the White House and the NLRB. In the meantime, he is working with a local civil rights organisation to combat prejudice against black Puerto Rican workers, who he says have difficulty making their way in white collar professions.

The island's promoters say the workforce contains highly trained and willing workers. Some 160,000 students attend Puerto Rican colleges and universities and thousands are studying on the mainland.

The last US population census showed the workforce to contain over 4,500 engineers, 800 mathematical and microprocessor scientists, 4,500 engineering technicians, 1,200 computer programmers, 700 chemists and biochemists, 35,000 precision mechanics, 30,000 technical production workers, and 200,000 experienced productor operators and fabricators who work in manufacturing.

Some 94 per cent of all managerial and professional positions in manufacturing are filled by Puerto Ricans. The island also provides thousands of bilingual workers to staff the service industries, banks, brokerage houses and accounting firms.

Although they comprise a workforce that tends towards conservatism—an outgrowth of the Commonwealth's emphasis on church and family—the crime rate and drug use are growing. Mr Sanchez shakes his head over rising rates of divorce and liquor consumption and recent revelations about police corruption.

Many of the educated workers are forced to leave the island in search of suitable jobs on the mainland. At present, however, more islanders are returning than departing.

Nancy Dunne

Where the jobs are

Economic sector '000s, monthly average

Fiscal year to August 1986	This year	Last year
TOTAL	818	751
Agriculture and Fishing	35	35
Construction	40	36
Finance, Insurance and Real Estate	28	25
Manufacturing	145	133
Public Administration	197	176
Services	160	152
Trade	164	149
Retail	145	132
Wholesale	18	17
Transportation, Communications and Public Utilities	47	44
Mining and Other	2	1

Source: Department of Labour and Human Resources, Household Survey.

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Electronics

Sector has 30,000 jobs

IN EXPANDING its manufacturing sector, Puerto Rico has been concentrating on the electronics industry. Despite factory closures because of the sometimes fragile nature of the industry, the effort appears to have been more than slightly successful.

Electronics companies locating in the island have taken advantage of generous tax holidays under federal and local legislation, and according to the island's economic development administration, the level of employment has made the sector the third largest in the island's industry, after apparel and food.

Most of the companies operating in the island are subsidiaries of US groups, but there is a growing number of Japanese investors. Spokesmen for the industry say that the attraction of Puerto Rico is a combination of the tax holidays, lower production costs and the availability of a pool of labour which has a history of involvement in high technology industry.

But while wage rates in Puerto Rico are lower than those on the US mainland, the island has been losing its competitive advantage to other production centres, such as Far East countries, whch are also favoured by electronics companies.

This has led several companies to join a trend towards production-sharing ventures, called "twin plants," in which low technology and labour-intensive work is done in a neighbouring country at much lower wage rates, with assembly, finishing and testing done in Puerto Rico.

"The electronics sector is well suited to Puerto Rico," says Mr Robert Burns, director of Caribbean basin operations for Westinghouse de Puerto Rico. "The products are lightweight and high value which makes transportation costs, both between the twin plant and the Puerto Rican plant, and to the market, very competitive."

The Electronics sector has been based on the production of a range of items including transformers, voltage regulators, protective devices, switches, television parts, photo-electric cells, and printed circuit boards.

More recently, however, the sector has been enjoying a boom with the growth of the computer market, and investors have been producing computers, computer interfaces, printers, disc drives, memory systems, and terminals.

According to the economic development administration, the value of exports of computer products has grown about tenfold since 1980, to reach $1bn per year, about a half the value of exports of the entire electronics sector.

About 180 electronics plants are being operated in Puerto Rico, providing nearly 30,000 jobs. The economic development administration reports that the sector is highly profitable. In the computer products arms of the sector, for example, the administration says the profit to equity ratio is 48.9 per cent, with the profit to sales ratio being 37.2 per cent.

For the rest of the sector the profit to sales ratio is the same, but the profit to equity ratio is 28.2 per cent. "Electronics companies do well here not only because the island has skilled workers with up to 20 years' experience, but because others are easily trained," says Mr Burns.

"The level of productivity here is generally equal to and sometimes better than that of the mainland."

As with the industry in other parts of the world, however, Puerto Rico has suffered from the effects of "shakeouts" which have seen some companies trimming their operations, while others have disappeared.

Companies forced to restructure because of competition have closed plants on the island, leaving several hundred workers without jobs and denting the growth of the electronics sector.

"Electronics is one sector in which we have had some problems because some companies have pulled out," says Mr Antonio Colorado, head of the economic development administration. "In some cases, it was clear that this would have happened.

"The extremely high rates of growth experienced by some of the companies meant something had to give."

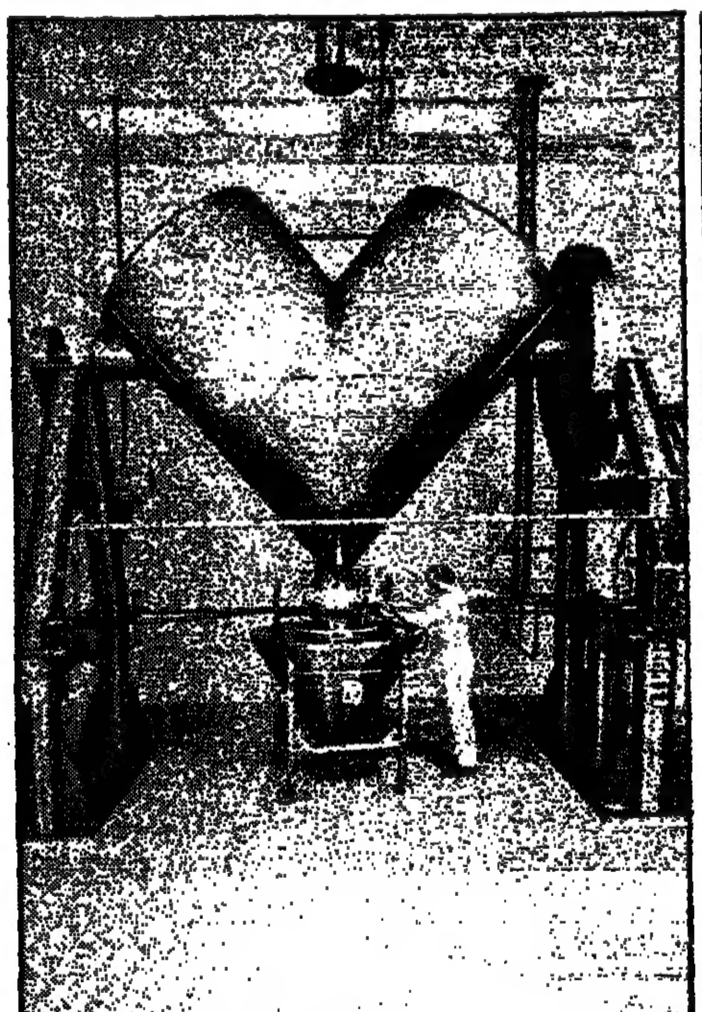
"The companies are no longer taking the risks that they and others did. Those which have survived the problems did so because they were much more sound operations. And the sector has also benefited from the twin plant programme which is well suited to the electronics industry."

Despite these dangers, however, the Government is not considering any relaxation of its efforts to lure more electronics companies to the island. Mr Colorado says it is a "difficult" industry, but that it is much less fragile than it appears.

"The fact is that because of past experience from which we and the companies have suffered, the electronics industry has become much more conservative," he explains.

Canute James

A Gould Electronics input-output programmable controller module printed circuit board undergoing inspection



More than 7 per cent of total world pharmaceutical production comes from Puerto Rican facilities. Above (left) this massive American Home Products V-blender at the company's Guayama complex. Right: Inspection of a mechanical heart valve at a Pfizer Corporation plant

Profile: ICI

A springboard for the US

DISCREETLY WAVING the flag of British industry, ICI Pharmaceuticals has become the first UK company to take advantage of US federal tax law and local investment incentives to establish a manufacturing operation in Puerto Rico. This month the company inaugurated a $20m plant producing Tenormin, a cardio-vascular drug for high blood pressure.

ICI's move is illustrative of the logic behind the growing list of major pharmaceutical companies that have opted for the island as a production base. "Tenormin has proved a very successful drug especially in the US which accounts for 40 per cent of sales," says Dr John Newport, who has come from the UK to set up and manage Puerto Rican operations.

"With a potential market of some $500m, we faced a demand that was coming close to our capacity," he said. The drug was being supplied exclusively worldwide from ICI's Severnside plant in the UK.

"We looked at the US and US territories to set up a production facility and it did not take long to discover that the bulk of US pharmaceutical companies were sourcing the US market from Puerto Rico," says Dr Newport.

The influx of US pharmaceutical companies into Puerto Rico began in the late Seventies, attracted by the possibilities of retaining profits there free of US federal taxes (under section 936 of the Inland Revenue Code), good local tax breaks and a skilled labour force. For ICI, these attractions apart, Puerto Rico offered a site within US tariffs, easy access to mainland distribution centres, a good infrastructure and the possibilities of acquiring or leasing existing sites.

The decision was taken in 1985 and a local company, ICI Phrmaceuticals PR Inc, was established. ICI leased an existing plant from SK & F near Ponce on the south side of the island and bought another plant near San Juan airport. The company was able to begin modifying the two plans in mid-1986 and trial production has already started—with bulk drug manufacture being carried out at the plant near Ponce which is then brought to San Juan for processing and packaging in tablet form.

According to Dr Newport, the whole process from the initial decision to production has been extremely rapid. "There was no problem in finding local staff whom we recruited either from within the industry or from the electronics sector." Current staff totals 60 of which only three are expatriates, with a full complement planned at between 80 to 100. In line with other pharmaceutical companies, the aim is to use as few expatriates as possible.

The company has found that the Puerto Rican development agency, Fomento, has delivered on its promises of supporting and aiding the start-up process. Furthermore, Dr Newport says that he and his family have found the move from the UK smooth.

He cites the good local schooling, excellent climate and outdoor recreational facilities and friendly Puerto Ricans as key factors in this respect. The island's bilingualism has meant there have been no language problems. "I intend to learn Spanish although there are some foreign executives here who cope without ever bothering," he says.

ICI is already exploring the island to purchase a new site for expansion, underling the company's interest in developing its Puerto Rican-based operation. The main aim is to supply the US market but other export areas are not excluded.

If all goes well, the company is prepared to consider using its Puerto Rican operation to develop production of Tenormin, and possibly other drugs.

This is the kind of commitment that Puerto Rican authorites are trying to encourage companies like ICI to make so as to lock them into a presence on the island on a permanent basis. Meanwhile, following ICI's example, Boots pharmaceutical division is also about to set up shop in Puerto Rico.

Robert Graham

The Government is seeking to raise farm output and cut imports

Sugar, once 55 per cent of agricultural production, fell to 4.9 per cent in 1985/86. Oxen carts (above) are being loaded in sugar cane fields

Changing climate suits the farmers

THE LOCAL *Jabaros* the Peurto Rican countrymen known for their shrewdness, say with some awe that the newly arrived Vietnamese woman works harder than any man-seven days a week and from 6 am to 6 pm. A widow, with children to support, she cultivates oriental vegetables on 40 acres, where labourers once toiled among the sugar cane.

On a nearby plot at the 3,000-acre government vegetable project, on the island's south coast, Filipino farmers are also growing produce to supply the dozens of oriental resturants which have sprouted across the island.

Both farms are part of a government programme, unique in these days of worldwide surpluses, to boost local production and employment and reduce the cost of expensive food imports. The Government in fiscal 1985-86 spent $44.5m to provide subsidies and incentives in support for the island's 22,000 farmers who work in the $600m agriculture sector.

The giant sugar companies which once ran Puerto Rico's economy have disappeared now along with high prices. Sugar, which comprised 55 per cent of agriculture production in 1950-51 dropped to 4.9 per cent in 1984-85. Returns are so low that the island's famous rum industry is forced to import most of its molasses, a sugar by-product, from countries which need not pay its workers the $3.35 per hour minimum wage.

In 1948 the Government began breaking up the domination of the sugar companies by enforcing an old law limiting farm sizes to 500 acres. The land authority took over sugar operations, paying workers generous bonuses so that the back-breaking toil could produce a living income.

Sugar's fortunes faded and in 1976, the Government began leasing and selling land, providing low cost financing and offering other incentives to establish an economically viable local agriculture sector. The rents are low, and producers who prove themselves are helped to buy the land in exchange for a promise not to sell it for five years or to divide it among their sons in small uneconomic parcels.

Mr Gabriel Matos Bauza, an assistant to the Agriculture Secretary, who proudly serves visitors a delicious locally produced pineapple juice, said the department is trying to change the Puerto Rican concept of farming as a subsistance enterprise. Since the early 1970s, it has established 152 agriculture projects, like the vegetable scheme on the south coast, which in turn have been divided into almost 3,000 farms.

The new farmers are offered broad support. They may lease or rent government owned machinery, warehouses, packing plants and get low cost loans, insurance, and technical and marketing assistance.

Puerto Rico now imports 70 per cent of its food. In the next few years, said Mr Matos, the agriculture department hopes to boost poultry production from 43 per cent to 70 per cent of consumption and increase local supplies of eggs, red meat, starch products, tropical fruit, coffee and ornamental plants.

Among those attracted by the Government's production push was the Naples tomato growers, part of a large association of Florida producers, who have contracts with several US chain stores and fast food operations to provide vegetables all the year round.

The Naples company came to look over the island last December, spurred by the recent Florida freezes and the need to find a consistent reliable tomato supply. The company liked what it saw and moved swiftly. By March, it had 115 workers employed packing 110,000 boxes of tomatoes a week from 250 acres leased by the company as well as 500 acres planted by the land authority and now defunct Israeli concern.

Mr Timothy Nance, a production specialist sent in from Florida to oversee the operations, said the company will ultimately provide employment for 500 workers—300 in the harvest and 200 in the packing plant—under the supervision of Puerto Rican managers. It is also experimenting with different types of tomatoes in hopes of finding something which will grow in the summer season, when the land usually lies dormant.

Despite the strong governmental effort, boosting food production in Puerto Rico is a slow and difficult process. Of the island's 3,500 square miles, only a little more than half of the land is suitable for cultivation. Mountains, encircled by a coastal plain, dominate the centre of the island. Not only are they steep and infertile, but combined with the trade winds they cause wide variations in the weather which produces a tropical rain forest in one part of the island and dry lands in the south, where drip irrigation methods are increasingly employed.

Mr Hiram Cardona, the administrator of the vegetable project, said marketing has always been a problem for fresh produce. In New York, for example, 18 families, he said, control vegetable exports. That is why the coming of the Naples company is so important.

"In the past," said Mr Nance, "the growers were forced to send their tomatoes to the mainland on consignment, which basically means they received whatever someone wanted to give them."

The Naples company will pack the islanders surplus tomatoes, export and market them for a flat fee taken from the profits, Mr Nance said.

"The climate for agriculture in changing here, and we are going to be part of it," he said. "Vegetable farming is very expensive and intense. We try to produce the crop as efficiently and economically as possible, using a minimum of pesticides and a minimum of artificial fertilisers. We are going to take advantage of everything we have learned in the States to produce the best crop we can."

Nancy Dunne

Profile: Antonio Colorado

Industry's supremo

AMONG ITS many natural advantages, Puerto Rico has, as the head of its industrialisation effort, the perfect salesman. Polished and articulate, without a pause in his pitch, Mr Antonio Colorado speaks and gestures persuasively. Assuring his listeners: "Our purpose is to get things done."

Swifty, he outlines his efforts to expand Puerto Rican business beyond the stagnating American market. The Caribbean countries, he says, are the island's natural partners, their low-cost labour can match the territory's generous tax advantages, skilled workforce, developed infrastructure and US access.

Poignantly, he relates a childhood experience, remembering a visit with his father to the revered former Governor, Luis Munoz Marin, and listening to the men talk as he snuggled in the warmth of the great leader's own coat.

Like the best of salesmen, Mr Colorado believes fervently in his product. He shares with most Puerto Ricans an abiding love for and pride in their beautiful island. (Returnees, flying in, crane their necks for their first view of the land and applaud when the aircraft touches ground.)

Antonio Colorado: a good year ahead

Since coming to head Fomento, the organisation in charge of the Commonwealth's industrial and economic development, less than two years ago, Mr Colorado figures he has lost $30,000 he would have earned in his tax law practice. But his parents, too, were both public servants, he says. He explains "duty" with another wordless gesture.

His job is not without rewards. Mr Colorado is one of the most powerful men on the island. More than an economics minister, he is the one-man board of directors of the Puerto Rican Development Company (Pridco) and at the same time head of the Economics Development Administration (EDA). He also sits on the boards of both of the island's development banks.

The EDA, created in 1950, boosts the establishment and expansion of manufacturing and services operations through promotion offices in the US, Spain, Japan and Germany. Its department of industrial services paves the way for industries setting up on the island and regularly contacts established companies to deal with any problems which arise.

The Puerto Rican industry department provides technical and engineering assistance and management and financial assessments. Other EDA departments give marketing assistance, spur the development of local arts and crafts, promote service industries, offer legal services and provide economic research and statistics.

Pridco is a public corporation which owns and rents real estate to industry at low prices. With the rents and other funds it provides financing and cash incentives to be used for viability studies, training programmes and start-up costs. It operates a foreign trade zone in Mayaguez, where raw materials can be imported free from custom duties.

The vast array of services, says Mr Colorado, allows him the flexibitly to do "whatever is needed" to attract business.

With the island's US tax preferences seemingly safeguarded from congressional encroachment for now, the prospects are numerous.

From a small desk top computer, Mr Colorado reels off the value of recent deals and concludes that there are more than $500m in pending investments.

Recently, his company search took him to Japan, where, he says. "They are restructuring their thinking about how to sell to the US." In fact, apparel producers all over the Pacific rim are watching US protectionist sentiment with consternation and eyeing Puerto Rican access to the mainland with interest.

"This is going to be a very good year," says Mr Colorado with satisfaction.

Nancy Dunne

The Bacardi bottling plant in San Juan, capital of Puerto Rico

Rum exports

Threat to excise rebates

IN 1508, when Ponce de Leon arrived in Puerto Rica as the island's Governor, he immediately expanded sugar cane farms, particularly in the Tao region, south of San Juan, the capital. It was there that the Spaniards produced molasses, and discovered that when fermented, it produced a liquor they called "brebaje."

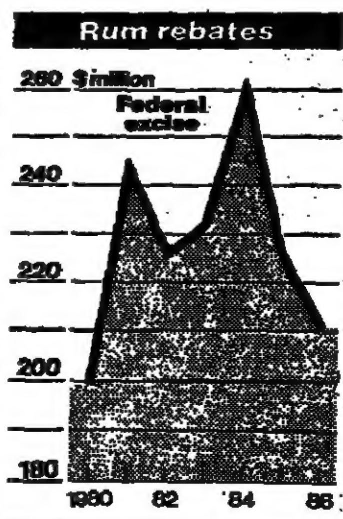
It was from this that the distillation of rum began in Puerto Rico, according to historians who have studied the development of the island's rum industry—an industry which is now the largest supplier to the US market, and which is contributing significantly to the island's economy.

Eight per cent of the 25 million gallons of rum consumed each year in the US is produced in Puerto Rico, with the major producer, Bacardi, leading all other producers of distilled spirits for the US market.

The decline in the island sugar production has left the rum industry dependent on imports of molasses to maintain production. But Puerto Rican officials are reluctant to speak about this.

"It may be that the molasses is imported from the Dominican Republic," says Mr Tomas Nieves of Rums of Puerto Rico. "This could be so." The Puerto Rican rum industry needs about 35 million gallons of molasses annually.

Rum rebates



The industry contributes to the island's finances in the form of rebates by the Federal Government of excise duty levied on shipments from the island.

Consequently there is continuing concern at likely legislative action to reduce the rebates, as there is at any threat to the island's hegemony of the US rum market.

A strike by Bacardi workers in 1984 reduced the island's exports to 19.3 million gallons, but this rose to 23.2 million gallons in 1985. In the nine-month period ended June, 1986, exports fell 14.4 per cent below the corresponding period of the previous year, to reach 16.6 million gallons.

The industry attributed the fall to an overall decline in the consumption of liqour in the US last year, said by the industry to be the result of growing concern about alcoholism and campaigns against drunken driving, and a $2 per gallon increase on the existing $10.50 per gallon federal excise duty on distilled spirits.

They report that rum consumption has been falling at about three per cent per year – a decline which is reflected in the excise rebates from the Federal Government to the island's administration.

The rebates for the 1986 fiscal year totalled $210.3m – the lowest since 1980 – from $225.4m in 1985 and $259.5m in 1984.

There is concern in the island at the prospect of another increase in federal excise taxes on spirits in Washington's 1988 budget, as part of the budget-cutting programme to meet targets of the Gramm-Rudman-Hollings law.

"This would have the effect of further reducing consumption, and consequently reducing the excise rebates to Puerto Rico," explained the island's economic development administration." the increase, if it is implemented, will not be passed on to the US, but will be held by the federal government.

"We have already started to campaign against this, and we are comforted by President Reagan's public stand against any tax increases."

The Puerto Rican rum industry also looks repeatedly over its shoulder at a likely increasing in production and share of the US market by its Caribbean neighbours. Under the Caribbean Basin Initiative, a special US trade incentive for the region, Caribbean producers were relieved of a $1.82 per gallon duty on rum entering the US.

Fears expressed by the Puerto Rican and US Virgin Islands industries that this would have led to a loss of their stranglehold on the US market have not materialised, as the other producers in the region do not have the capacity to make a meaningful impact.

Mr Rafael Hernandez Colon, Puerto Rico's governor, says he is not unduly worried by the threat to the rum excise rebates. He says the present level of rebates is "not safe," but that the issue is "not a major matter."

Canute James

Chi Chi Rodríguez: "There are 14 challenging reasons why Puerto Rico is called *Scotland-in-the-Sun.*"

Puerto Rico has more golf courses than any other island in the Caribbean—14 in all.

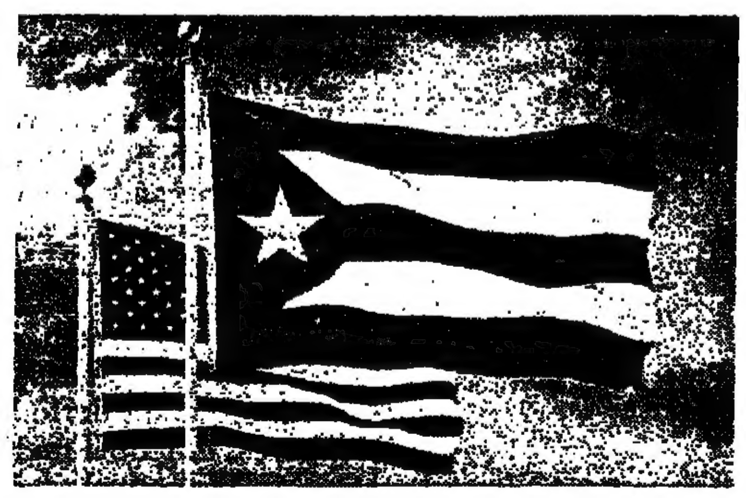
Half of these courses rank as championship courses. And four of them are Robert Trent Jones classics.

But one of the unexpected joys of a golf vacation in Puerto Rico is leaving the links for a few days and exploring this beautiful 100-mile-long island.

You'll discover tropical forests, historic 400-year-old towns, shops, festivals, beaches, gambling, endless nightlife, and, in the opinion of many, the best restaurants in the Caribbean.

You'll also discover a wonderful spirit about the people you'll meet that sets Puerto Rico apart. A spirit that has made this island a model for peace and progress in the Caribbean.

For more information, write: Puerto Rico Tourism, Paseo De La Castellana 144, Madrid 2816 SPAIN.



PUERTO RICO/The Shining Star of the Caribbean

Puerto Rico Tourism Company: Atlanta, Boston, Chicago, Dallas, Denver, Los Angeles, Miami, New York, St. Louis, Seattle, Toronto, Washington, D.C.

Tourism

Cruising into better times

WHEN A FIRE swept through one of San Juan's largest hotels last New Year's Eve, leaving 96 people dead, hoteliers and the administrators of Puerto Rico's tourism industry feared the fickle sector would be adversely affected by the incident.

"We went to the market place to show everyone that the fire was an isolated incident and that our hotels were safe," said Mr Carlos Diago, deputy director of the government-owned Tourism Company. "We managed to convince everyone that the island was still a safe place for a holiday."

Hoteliers and government officials now say that they have managed to contain the impact of the fire on the industry, and are consequently expecting continued growth for the sector this year. According to the Tourism Company, Puerto Rico was host last year to 1.7m stop-over tourists—12 per cent more than in 1985.

Like its neighbours in the Caribbean, Puerto Rico has benefited from the reluctance last year of Americans to travel to Europe, as a result of fears over the spread of political terrorism. But the growth of the island's tourism, which started in 1984 after a five-year slump, has been assisted by an advantage Puerto Rico has over its neighbours which are competing for a greater share of the US market.

Because of the island's special relation with the US, visitors from the mainland are spared immigration and customs procedures, and do not have to convert their currency.

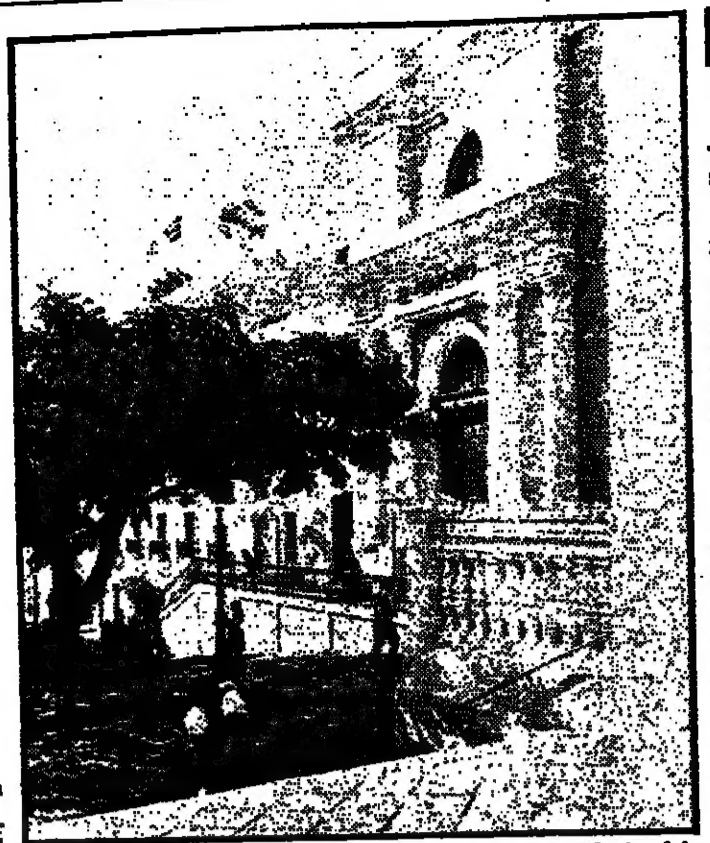
The island's Government has recently given more attention to tourism after the sector was somewhat overshadowed by concentration on manufacturing industries. After gaining in the 1960s from the US economic embargo on Cuba, the Puerto Rican industry slipped between 1979 and 1984, with its share of the Caribbean market falling from 31 per cent to 21 per cent, and room capacity declining.

In an effort to revive the sector, the Government offered help to the industry by granting tax exemptions, reducing electricity rates, giving financial assistance through bond issues and changing regulations governing casino gambling. Hotels were granted 90 per cent rebate on income and property taxes, and exemption from municipal taxes.

Financial gains from an 11 per cent cut in electricity rates, and the issue of \$104.5m in bonds for improving hotels, immediately improved the viability of most properties.

"These are better times for everyone in the industry," reported Mr Diago. "The hotels are making more and more money. Their average profits in 1986 were up by 30 per cent on 1985. We are seeing a new era of prosperity for the sector."

According to Mr Jose Morales, executive director of the island's Hotel and Tourism Association, the new co-operation between the industry and the Government has helped to improve Puerto Rico's tourism product.


El Convento Hotel, a restored former convent now caters for tourists in the heart of San Juan

The industry's optimism about continued growth is supported by an expansion in airline seat capacity between the island and the US. Eastern Airlines and American Airlines have made San Juan the hub of their Caribbean operations. America is spending \$55m on improving its Puerto Rican facilities, and is to increase the number of round trip flights between the island and the mainland to 25 per day, while Eastern is to do 28 flights.

The airport last year handled 5.1m passengers, and Mr Guillermo Valls, director of the Ports Authority, expects the volume to reach 6.2m this year.

The growth in the number of tourists over the past three years has increased the demand for more rooms. Properties which were closed five years ago when the industry was in decline, are being reopened, and new ones built, now hat the Government's incentives have increased the profitability of hotels.

The tourism company reports that 1,430 additional rooms will be available by the end of this year, and another 1,500 next year, bringing total capacity to just under 11,000 rooms.

The cruise shipping arm of the industry has also grown, but not as fast as stop-over business. After recording 531,000 cruise visitors in 1981, the volume of arrivals declined until last year when it grew by 2 per cent to 446,000.

Officials are working on a plan to make Puerto Rico a centre of cruise shipping in the Caribbean. Trippers would be flown to Puerto Rico to start their trips, and then flown out after they have cruised the Caribbean.

The island's economy is already showing the benefits of renewed growth in tourism. Visitor expenditure last year reached 797m, 11 per cent more than in 1985, representing about 5 per cent of Puerto Rico's gross national product and equivalent to 7.5 per cent of its merchandise exports.

Some 75 per cent of Puerto Rico's tourists are from the US mainland, but there are efforts to widen the market. Tourist traffic from Europe is, at best, a trickle, but officials say that changes in the value of the dollar against European currencies are making the island something of a bargain for the European visitor.

But efforts to tap the European market are being hobbled by inadequate airline capacity.

"There are no problems which we can see which will adversely affect the industry," said Mr Diago. "For this year, we are projecting growth of about 8 per cent in visitor arrivals and 9 per cent in expenditure."

He said, however, that these projections did not include cruise ship visitor arrivals which are expected to grow by 15 per cent.

Canute James


A typical Caribbean beach scene in one of the island's tourist spots

Tourism

	Fiscal Year to June 1986	Year to June 1987
Total hotel registrations '000s	663.5	642.3
Residents	163.4	162.4
Non-residents	500.1	479.9
Tourist hotel registrations '00s	608.8	584.3
Occupancy rates in tourist hotels (%)	65.7	69.3

Sources: Puerto Rico Planning Board, Puerto Rico Tourism Company, Department of Labour and Human Resources

	Stay-over and cruise ship visitors (millions)	Visitor expenditure ($m)
1980	2.128	614.9
1981	2.104	649.7
1982	2.007	699.2
1983	1.940	690.7
1984	1.932	681.2
1985	1.64	712.0
1986	2.021	797.0

Source: Tourism Company of Buerto Rico

Facts and Figures

Land: 100 miles long. 35 miles wide.
Strategic location: mid Caribbean, 1612 miles south of New York, 4019 miles west of Madrid, 4130 miles southeast of San Francisco.
Climate—74°F Winter; 80°F Summer.
Population—3,270,000 U.S. citizens (San Juan—1,086,400).
Languages—Spanish and English.
Government—a stable democratic Commonwealth within the U.S. Constitutional system.
Currency—same as US.
Banks—extension of the U.S. banking system, insured with FDIC.
Postal system: same as the U.S.
Customs duties: no duties or quotas on shipments between Puerto Rico and the U.S. Mainland.

Lifestyle

Housing: a wide range of private houses, apartments and condominiums priced for all income levels.
Educational facilities: public and private schools; thirty colleges and universities; five technological institutes; fourteen vocational schools, two electronic centres.
Leading U.S., foreign and local banks, brokerage houses, exporter/importers, and accounting firms supply professional business and personal services throughout the island.
Shops and services: modern supermarkets, shopping centres and specialty shops much like those on the U.S. Mainland.
Leisure time: year-round outdoor sports . . . museums and art galleries . . . concerts, shows, theatre, opera, ballet, Puerto Rico Symphony and Casals Festival . . . international restaurants and nightclubs.

Special kind of status

Continued from Page 1

independentistas mention independence, the standard reaction is that Puerto Rico would face poverty like the neighbouring Dominican Republic or be a prey to Cuba and Communism.

For its part Congress continues to regard Puerto Rico as an uneasy fit in the American constitutional system which is merely a burden on the US taxpayer. Again this ignores the real contribution Puerto Rico makes in absorbing \$6bn worth of US goods and exporting nearly \$10bn worth to the mainland annually.

In hardheaded geopolitical terms, Puerto Rico remains an important strategic asset for the US in the Caribbean. The naval base at Roosevelt Fields is the US Navy's largest facility worldwide and serves as the centre for its Caribbean operations.

So long as the US faces Soviet-backed Cuba in mutual hostility, Washington is unlikely to countenance greater autonomy or independence for Puerto Rico.

Mr Rafael Hernandez Colon, the present PPD Governor, believes that commonwealth offers Puerto Rico the best of both worlds and is determined to lessen the importance of the island's status as a political issue. However, he is trying to reduce Puerto Rico's historic economic dependence upon the American market—both by attracting Japanese and European investment, and by developing closer links with the Caribbean through the establishment of "twin plant" industrial operations.

Already there are modest signs of success in both fields (ICI Pharmaceuticals has just set up a plant on the island.) At the same time American companies continue to show confidence in the island's future with over \$500m worth of investments in the pipeline.

But recent efforts to establish a tax treaty with Japan were slapped down by the US State Department, underlining once again that Puerto Rico's freedom of action is circumscribed. Thus if the Governor's moves towards diversification are unsuccessful and unemployment is not brought down further, the debate on the island's status is likely to revive in more intensified form.